United States Mint

2000 Annual Report

The Golden Year

A year of unprecedented achievements.

A Golden Year of Awards and Records

The Golden Year
A year of unprecedented achievements.

Record production

Record revenues

Record profits

Record new coin introduction success

Seventh consecutive unqualified opinion

FY2000

- **Exceptional Service Award from the Federal Energy Management Program** for reducing energy costs and consumption, Philadelphia Mint
  November 1999
- GovExec.com names Mint web site among 16 **"Best Feds on the Web"**
  December 1999
- **Government Technology Leadership Award** from Government Executive Magazine and the GSA's Federal Technology Service for COINS team's ERP system implementation
  December 1999
- **FastCompany magazine** article featuring Mint's transformation to an e-commerce public enterprise and successful change leadership.
  December 1999

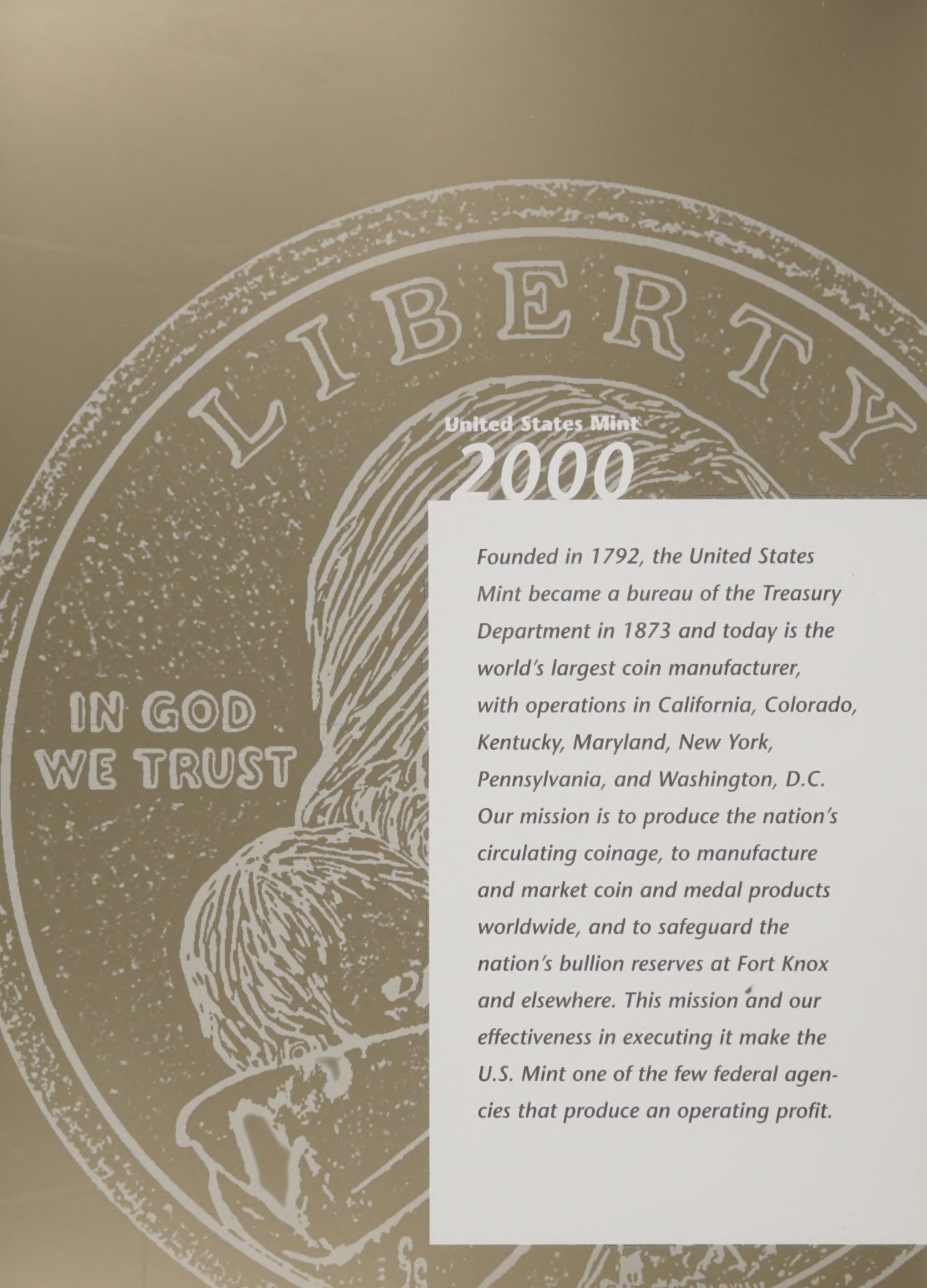
2000

- **Hammer Award** for San Francisco Innovation 2000 Team Mint production and packaging robotics (The U.S. Mint's 10th Hammer Award)
  February 2000
- **Mint web site has its first $1 million hour**
  April 2000
- **Business Week** cites Mint's web site as model for "Netrepreneurs"
  May 2000 web
- **Hammer Award** for Base Metals Risk Management Program (The U.S. Mint's 11th Hammer Award)
  June 2000
- **Hammer Award** for the COINS Team (The U.S. Mint's 12th Hammer Award)
  July 2000
- **Hammer Award** for the Q50 Team (The U.S. Mint's 13th Hammer Award)
  August 2000
- **Hammer Award** for E-Commerce Team (The U.S. Mint's 14th Hammer Award)
  August 2000
- Mint named one of **Top 100 Organizations Worldwide** by CIO magazine
  August 2000
- **Mint web site has its first $5 million day**
  September 2000
- **Finalist for the Government Executive Acquisition Excellence Award**
  September 2000
- **American Customer Satisfaction Index**
  Recognition of industry-leading "world class" customer service for 5th straight year
  September 2000

Records

- **Record Production**
  27.2B FY00 circulating coin production vs. previous record of 19.9B FY99
- **Record Revenues**
  $3.7B vs. previous record $2.4B in FY99
- **Record Non-Bullion Revenues**
  $305.9M vs. previous record $160.8M in FY99
- **Record Non-Bullion Profit**
  $86M in FY00 vs. $27.7M in FY99
- **Record Profits**
  $2.6B in profits

U. S. Mint • 801 9th Street N.W. • Washington, D.C. 20220



United States Mint

2000

Founded in 1792, the United States Mint became a bureau of the Treasury Department in 1873 and today is the world's largest coin manufacturer, with operations in California, Colorado, Kentucky, Maryland, New York, Pennsylvania, and Washington, D.C. Our mission is to produce the nation's circulating coinage, to manufacture and market coin and medal products worldwide, and to safeguard the nation's bullion reserves at Fort Knox and elsewhere. This mission and our effectiveness in executing it make the U.S. Mint one of the few federal agencies that produce an operating profit.

Table of Contents

A Golden Year of Awards and Records ..... Inside Front Cover

Our Vision 1

Letter from the Director 2

Together, We are the U.S. Mint 4

A Year of Achievements 6

Management's Discussion and Analysis of Program Performance 16

FMFIA. 31

Financial Statements 32

Footnotes 35

Reports of Independent Auditor 47

Supplementary Financial Information 54

Glossary of Terms and Acronyms 58

Schedule of Custodial Gold and Silver Reserves 60

Auditor's Report on Custodial Gold and Silver 62

Our Vision

The United States Mint will provide outstanding products and services that surpass customers' expectations for quality and value. We will dedicate ourselves to excellence and integrity, providing a safe workplace and rewarding work for every employee. We will honor our obligations as a corporate citizen of communities where we live and work.

Letter from the Director

To our colleagues and the American public:

I had the honor of joining the U.S. Mint as Director well into a year that has turned out to be like no other. Already in place when I arrived in May 2000 were fundamental changes in how the Mint is organized and how it functions. Well underway were dramatic qualitative and quantitative achievements based on those changes.

The outcome of the Mint's efforts has been spectacularly positive. We set objectives and pursue strategies with the same eye to profit-generation as leading Fortune 500 enterprises, and are able to implement strategies just as efficiently. The enormous popularity – and profitability – of our 50-state quarter program and the new Golden Dollar program are cornerstones to the success we experienced this year.

Also, in keeping with our private sector-style culture is another component of the Mint's success in FY2000 – strategic partnerships. The Mint has forged strong internal and external partnerships that exponentially increase our ability to get things done.

Internally, our Strategic Business Units – Circulating, Numismatics, and Protection – work as a cohesive team to accomplish clearly stated enterprise objectives. We owe our institutional strength to our partnership with the American Federation of Government Employees (AFGE). In the first quarter of the year, the Mint signed a sixth national partnership agreement with AFGE. The agreement continues our tradition of a strong productive mutually beneficial relationship, a tradition that has earned us multiple Sturdivant National Partnership Awards.

As detailed later in this Annual Report, the Mint has begun to build partnerships with external entities, as well. Innovative partnerships with private sector companies such as Hallmark, National Geographic World Magazine, the Jim Henson Company, Wal-Mart, and many others have been highly effective in increasing awareness, acceptance, and sales of our products.

I invite you to join me now in applauding this agency and its people who have accomplished with energy and ability so much this past year. Their success epitomizes what government is capable of doing.

Jay Johnson, Director
U.S. Mint

Jay Johnson, Director, U.S. Mint

Together,

We are the U.S. Mint.

The U.S. Mint is composed of three Strategic Business Units (SBU), coordinated and supported by the Corporate Office headquartered in Washington, D.C. Each SBU is a profit center with a business head directing its budget, resources, facilities, and staff. Each has a mission and goals under our strategic plan. These units cut across Mint locations and encompass all functions – such as sales and manufacturing – related to their mission.

The Circulating Business Unit. This unit achieves the mission of manufacturing and distributing circulating coinage through the Federal Reserve system to commerce.

The Numismatic Business Unit. This group is responsible for activities associated with collector and investor products sold worldwide, including coin and medal production.

The Protection Business Unit. This unit provides protection services to Mint employees, assets, and property world-wide.

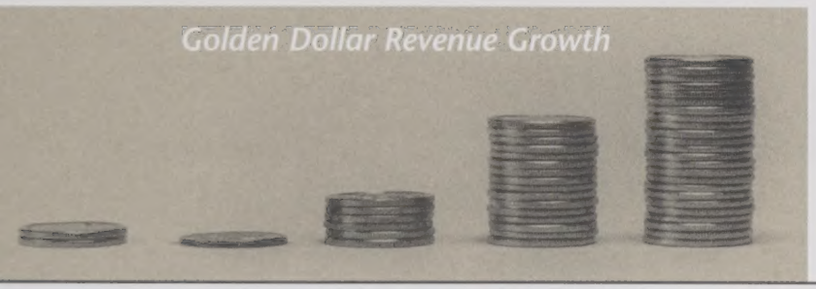
The Corporate Office. Headquartered in Washington, D.C., the Corporate Office provides Mint-wide direction and policy, coordinates Mint-wide efforts, and manages corporate responsibilities such as finance, information technology, procurement, and human resources.

Facilitated by flexible procurement processes granted by the U.S. Congress, lease, design, and construction of the new Mint headquarters facility were completed within two years. U.S. Mint corporate staff moved into the building in November 1999.

A year of Achievements

The Golden Dollar

Formally introduced in January 2000 and propelled by full-scale outreach campaigns, the Mint's Sacagawea Golden Dollar has achieved overwhelming success in record time. In its first nine months, demand triggered the production and shipment of 979 million Golden Dollars – it took 14 years for the Susan B. Anthony dollars to reach demand at that level! By year's end, the billionth Golden Dollar rolled off our presses. Hundreds of millions of Americans are using the coins and collecting them. This enormous popularity resulted in a profit of over $800 million and was a major component of the Mint's record-breaking total revenues for the year. The Golden Dollar's clearly successful introduction underscores the value of the Mint's vigorous market orientation. We were able to harness all of the marketing, partnering, and educational tools available to create, rather than merely respond to, demand – and in a single year have made the Golden Dollar a fixture in American coinage.

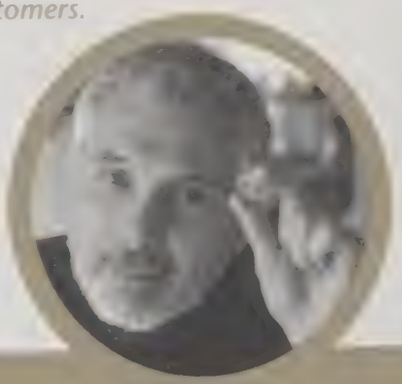


80s/90s	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
$65 Million (Susan B. Anthony dollars)	Near Zero	$280 Million	$562 Million	$137 Million

A high-profile national multi-media campaign, featuring a contemporary George Washington as spokesperson, reached 92% of urban/suburban adults 15-18 times during the promotional period. Additional awareness came from media coverage, including appearances on the Today Show, on prime-time programs, and at the National Press Club.

The business-to-business element of the U.S. Mint's marketing campaign involves targeting its resources and message. It identified eight sectors to focus its efforts to get more Golden dollars in customers' hands and circulating in commerce: financial institutions, retailers, the entertainment industry, grocery stores, fast food restaurants, governments agencies, the vending industry, and transit authorities. Seventeen of the top 20 metro transit networks in the U.S. distribute and accept the Golden Dollar, including the country's two largest: New York and Chicago.

Marketing materials sent to small financial institutions promoted the public's use of the Golden Dollar. A special direct-ship program assured their sufficient supply. Partnering with the Mint, Allfirst Financial, a 261-branch mid-Atlantic bank, launched a promotion that includes routinely paying Golden Dollars in change to customers.



John is holding one of the quarters he designed for the U.S. Mint's 50 State Quarters™ Program. The quarters feature designs unique to the history and lore of our 50 states. Each quarter is made for about 10 weeks' use to be minted again.

A year of Achievements

Education Q50™

What happens when you add the Mint's popular 50 State Quarters™ Program with the nation's teachers and multiply the impact by the Internet? The answer is the Mint's new Education Initiative. The program offers teachers across the country free lesson plans that use the Q50™ coins to teach core curricula. The plans, created by teachers and reviewed by an education specialist, are targeted to K-6 grade levels. They include lesson outlines, handouts, exercises to teach history, mathematics, geography, and civics. Teachers can simply log on and download the plans, or receive them by mail. Over 120,000 lesson plans have been sent to educators nationwide. This Q50™ Educational Initiative is a natural extension of H.I.P. (History in Your Pocket) Pocket Change™, the Mint's acclaimed online website for kids, developed in conjunction with the Department of Education. Launched in 1999, H.I.P. is a dynamic, highly interactive e-zine filled with articles, virtual tours, projects, and games that use coins to teach various subjects

... and teach kids about coin collecting. Through the site, teachers can access K-6 cross-curriculum lesson plans for coin-based classroom learning.

Launched in 1999, the Mint's 10-year 50 State Quarters™ Program commemorates each of the nation's 50 states, –five states per year in the order in which they ratified the Constitution and joined the Union. This past year the program moved forward with five new releases of Q50™ coins: Massachusetts, Maryland, South Carolina, Virginia, and New Hampshire.

An estimated 125,000,000 American adults collect Q50™ quarters from pocket change with one-third collecting more than 25 of each state from pocket change, and the popularity of the program only increases with time. FY2000 revenues from the program, for example were $673.4 million above sales from the year before, and profits for the year from the coins exceeded $1.2 billion.

Brenda is a Coin Checker for the U.S. Mint. She's worked on the U.S. Mint official collector map for the 50 State Quarters™ Program.

A year of
Achievements
E-commerce

Last year, the U.S. Mint e-catalog was launched. This year, it became an impressively productive e-commerce profit center – inviting from first look to sale. Straight from the home page or within the website product catalog, site visitors can see a wide variety of featured products, including commemorative coins, jewelry, gifts, proof sets, and bullion coins. They can click for more information and a closer view, and order online quickly and securely. Increasingly, ordering is what visitors are doing. In FY 2000, the Mint's website ranked among the nation's premier e-retailers and resulted in a Hammer Award from the Vice President's National Partnership for Reinventing Government. Online sales reached $5 million in sales on a single day. Even these statistics are conservative, as they represent only those purchases completed online and not those in which an order form was downloaded and sent to the Mint via fax or mail.

The Leif Ericson Millennium Commemorative Coins made their debut online in June. Also available by mail, the coins commemorate 1000 years since the discovery of the New World by Leif Ericson, and are a joint issue by the Mint and the Republic of Iceland. The Icelandic version of the coin is legal tender in Iceland, and the U.S. version is legal tender in this country.

2000 American Eagle bullion proof sets became available in May. Sold online as well as by mail, the sets are produced in platinum, gold, and silver. Each precious metal version features its own design of the American eagle on one side and scene of a national symbol on the reverse. Sales of the silver American Eagle sets were especially heavy – with product sold out within five months of their introduction.

The site's Collectors Corner cultivates coin collection by giving aspiring numismatists extensive practical guidance. The Corner includes information on how and why to collect coins, the basics of collecting, a glossary of terms, and tips on everything from caring for coins to finding them.

Earl is a Hubber for the U.S. Mint's 50 State Quarters™ Program. He makes sure that only perfect hubs are used in the minting of quarters.

A year of Achievements

Partnerships

As leading corporations around the world have discovered, enterprises that strategically team together can do more than they can on their own. To this end, the U.S. Mint last year sought out key private sector partnerships to help us meet ambitious goals, particularly those that involved promoting the Golden Dollar. Promotional partnerships with Wal-Mart and General Mills in early 2000 placed more than 94 million Golden Dollars into circulation. Wal-Mart and Sam's Clubs distributed the Golden Dollar in routine retail transactions across the country in its first week in the marketplace. The public also became aware of the Golden Dollar in local grocery stores. Eleven million boxes of Cheerios featured the Golden Dollar as General Mills sponsored a Golden Dollar give-away in its top-selling breakfast cereal (one out of every 2,000 boxes contained the new dollar coin). Advertising experts have estimated that the Cheerios campaign brought the Mint the equivalent of 132 million advertising impressions [11 million boxes times 12 servings (ave.) per box].

The Mint has partnered with Hallmark to produce the American Spirit Collection™, unique gift items that feature 50-State Quarters. Offered in over 5,000 Hallmark Gold Crown Stores and Mint retail stores, the collection includes ornaments, coin and figurine sets, coin sets, and a unique metal lunchbox collector's set.

Another Mint partner is Kermit the Frog, professionally represented by the Jim Henson Company. Kermit has been the official spokesfrog for the 50-State Quarter Program since 1999, appearing extensively in print and broadcast advertising to educate the public on the program.

The Mint also has developed corporate partnerships with Scholastic, Readers Digest, and National Geographic. The National Geographic partnership, celebrating the World Magazine's 25th birthday, rewards 25 winners across the country of a "What's great about your state?" essay contest with $1000, 100 new state quarters, a visit to the winner's school by the WORLDmobile, and gifts for schoolmates.

Cindy is an Annealer for the U.S. Mint's 50 State Quarters™ Program. She keeps the laminated metal blanks at 1400 degrees before they are stamped

A year of Achievements

Production

To meet the demands of the Federal Reserve Board and our own success at generating excitement for our products, the Mint this past year had to operate 24 hours a day, 7 days a week. We produced over 6.2 billion quarters, up from 1.2 billion in FY 1999. As demand increased we produced Golden Dollars at the rate of more than six million per day. We produced a total of approximately 27.2 billion coins for all circulating coin denominations, 7 billion more than the previous year's record-breaking level. The Mint's ability to produce at unprecedented rates stems primarily from our people, who were called upon to work extensive overtime, and from the purchases and initial installation of major capital equipment. We continue to make progress in our capital equipment modernization program. Included in the program are plant, equipment, safety, and security improvements at every facility. With these improvements in place, the Mint is well positioned to continue to meet the country's coinage requirements in the years ahead.

New production equipment enabled our Philadelphia and Denver Mints to achieve higher volume and more efficient, more automated manufacturing. Our West Point facility is undergoing renovation to transform what was originally constructed as a bullion depository to accomodate the bullion coin production facility it has become, with the first of three new presses already installed. In San Francisco, a new annealing furnace contributed to a 33% increase in proof coin production.

The strong economy has increased the Mint's challenge of competing with the private sector for the people integral to meeting production demands. In information technology, marketing, manufacturing, and administration, the Mint is pursuing aggressive recruitment strategies to meet staffing requirements. In 2000, we joined with an electronic recruitment website, hotjobs.usmint.gov, to publish vacancies, developed more sophisticated job announcements, hired a full-time IT recruiter, became a sponsor of a weekly Washington, D.C. radio career show, held three widely advertised and attended job fairs, and partnered with Washington, D.C.'s Howard University to attract candidates in finance, engineering, and marketing. We're also working hard to retain top talent by offering family-friendly flexible programs like telecommuting, flexible work schedules, a new employee assistance program called Lifecare, and childcare assistance for eligible employees.

Louis is a Machine Operator for the U.S. Mint's 50 State Quarters™ Program. He makes sure that only the highest quality coins go into circulation.

Management's Discussion and Analysis of Program Performance

The Chief Financial Officers (CFO) Act of 1990 requires a variety of Government financial management improvements. The Act requires federal agencies issue annual accountability reports that include annual financial statements reflecting the results of operations and management's analysis and explanation of program performance. The Act also requires agencies to develop integrated accounting and financial systems that provide for the systematic measurement of performance and timely performance reports.

Fiscal year 2000 was a remarkable financial success for the U.S. Mint. Unprecedented demand for Mint products resulted in record levels of revenues and profits. FY 2000 profit increased 146% as compared with FY 1999. This stellar profit performance resulted in deposits to the Treasury General Fund in excess of $2.28 billion, an increase of 124% over FY 1999. These remarkable increases were largely attributable to the phenomenal popularity of the 50 States Quarters program, the tremendous interest in and popularity of the Golden Dollar, and a sustained robust American economy that is generating a record number of cash transactions. The U.S. Mint continues to be one of a few federal government agencies to consistently deliver a profit for the American people.

Results of Operations

Overall Operations

The mission of the U.S. Mint is to manufacture the highest quality circulating, numismatic, and bullion coins at the lowest possible cost and to deliver them in a timely manner... to expand our markets through exceptional customer service, product development, and innovative marketing...to sell numismatic and bullion products at a reasonable price and profit, and to provide security over assets entrusted to us.

Performance Measures Highlights

Under the Government Performance and Results Act (GPRA), agencies must develop performance measures and plans to gauge the success of programs and missions against those measures. The Mint began to implement these requirements into its financial planning and reporting responsibilities in FY 1994. Performance measures identified in the Mint's Strategic Plan are reported upon as part of this annual report. Although core missions do not change dramatically from year to year, the Mint continues to refine performance objectives and appropriate performance outcome measures that better gauge the results of its business and activities. Within the context of this report, the Mint is presenting its most critical performance measures. The Mint's performance measures are linked to outcomes, capture significant variables, and address the multiple priorities involved in completing its mission.

Revenues

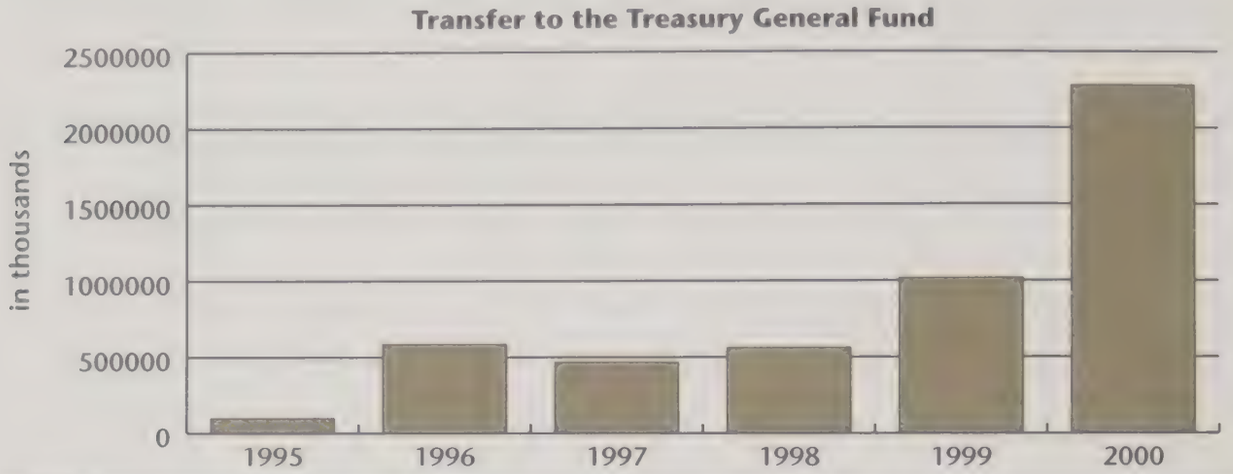
Overall revenues for the Mint increased to $3.7 billion in FY 2000 from $2.4 billion in FY 1999, an increase of 54%. The $1.3 billion increase consists of an increase of over $1.8 billion in Circulating coinage revenues and a decrease of just under $0.5 billion in Numismatic product revenues. This is largely attributable to the post Y2K decline in the demand for precious metal/bullion products and to the market saturation that ensued. Details of the changes in revenues follow in the individual sections below.

Expenses

Overall expenses for the Mint decreased to $1.1 billion in FY 2000 from $1.4 billion in FY 1999. Overall expenses incurred by Numismatic decreased to $399.4 million in FY 2000 from $928.7 million in FY 1999. Expenses incurred by Circulating operations increased to $697.2 million in FY 2000 from $420.6 million in FY 1999. Details of the changes in expenses follow in the individual sections below.

Transfer of Profits to the Treasury General Fund

Over the past several years, contributions to the Treasury General Fund from profits on Mint operations have increased dramatically. In FY 2000 contributions to the Treasury General Fund increased by 124% over that of the prior year — $2.28 billion for FY 2000 as compared to the prior record high of $1.02 billion for FY 1999.



Circulating Strategic Business Unit

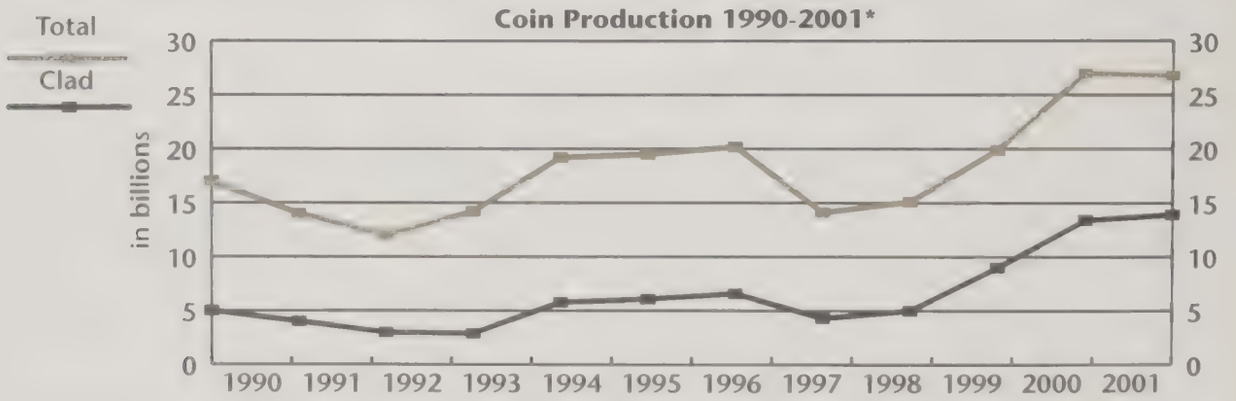
Mission

The primary mission of the Circulating Strategic Business Unit is to produce sufficient coinage to meet the needs of commerce and the consumer while doing so in a cost-effective manner.

Operating challenges faced in FY 2000

Following the all-time record set in FY 1999 of 20.4 billion coins shipped, the Circulating Strategic Business Unit faced several significant challenges in FY 2000. Two of these major challenges were increasing capacity by approximately 7 billion coins to meet increased coin demand and modernizing and upgrading the Philadelphia and Denver Mints.

In FY 2000 the demand for circulating coins has reached annualized peaks as high as 29 billion pieces per year, more than double the demand of 14 billion pieces just three years ago. This remarkable increase is largely attributable to the 50 States Quarters program, the popularity of the Golden dollar, and a sustained strong American economy. The following table illustrates this demand.



** The above data reflects fiscal year production and should not be interpreted as mintage levels of coins for a calendar year.*

The recent high demand for coinage has exceeded normal production capacity. In addition to the increase in coin production, the mix of denominations produced has also changed. The production of non-penny coins has increased dramatically, as a percentage of total coins produced. In FY 2000, non-penny production equaled penny production for the first time in the Mint's more than 200 year history. Non-pennies require significantly more resources to produce than pennies due to more complex manufacturing methods. This change in mix coupled with extraordinary demand has challenged the Circulating Strategic Business Unit.

Financial Performance

Circulating SBU Profit for FY1999 and FY2000 (In Millions)

	FY1999	FY2000	% Change
Units Shipped	20,373.1	27,186.7	33.4%
Revenues	$ 1,455.8	$ 3,221.5	121%
COGs	$ 340.1	$ 521.3	53%
Expenses	$ 80.5	$ 175.9	119%
Total Expense	$ 420.6	$ 697.2	66%
Profit	$ 1,035.2	$ 2,524.3	144%

Revenues

Circulating revenues increased to $3.22 billion in FY 2000 from $1.46 billion in FY 1999. This represents a 121% increase in revenues.

Circulating SBU Revenues for FY1999 and FY2000 (In Millions)

Denomination	FY1999 Revenues	FY2000 Revenues	Difference	% Change
Penny, Nickel, Dime	$ 537.5	$ 646.1	$ 108.6	20%
Quarter	$ 868.5	$ 1,541.9	$ 673.4	78%
Half	$ 15.9	$ 13.5	$ (2.4)	(15)%
Dollar	$ 33.3*	$ 1,019.4	$ 986.1	2961%
Other	$ .6	$ .6	$ 0	0%
Total	$ 1,455.8	$ 3,221.5	$1,765.7	121%

**FY 1999 revenues for the Susan B. Anthony dollar coins*

The increases in revenues consists of:

- $986.1 million increase in the dollar coins
- $673.4 million increase in quarters
- $106.2 million increase in all other denominations

Dollar Coins

The significant increase in dollar coins is related to the introduction of the new "Golden Dollar coin." Units of dollar coins shipped increased to 1,019 million in FY 2000 from 33 million in FY 1999. The FY 2000 shipments included 40 million Susan B. Anthony dollars (SBAs). This exceeds, in less than one year, the entire amount of coins minted during the 21 year SBA program. The last SBAs were shipped in the second quarter of FY 2000.

Quarters

Quarter revenues have increased from an average of $403 million for the three years prior to the inception of the "50 state quarters program" (FY 1996 – FY1998) to an average of $1,205 million for the past two fiscal years. This represents an average increase of 199%. The dramatic increase in quarter revenues is a result of the phenomenally successful 50 state quarters program. It is estimated that nearly 113 million citizens are actively collecting the 50 state quarters. Under this program a new state quarter is produced every ten weeks.

Other Denominations

The balance of the increase ($106 million) is due to increased demand for coins. This increase represents a 19% increase in revenues in FY 2000 from FY 1999.

Circulating Coinage Shipments, FY 1990 – FY 2000 (in millions of pieces)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Penny	12,032	9,914	9,007	11,282	13,459	13,419	13,669	8,642	10,744	11,601	13,668
Nickel	1,415	1,096	903	655	1,451	1,623	1,740	944	1,544	2,037	2,421
Dime	1,956	1,633	1,294	1,177	2,521	2,365	2,801	1,930	2,658	3,197	3,884
Quarter	1,560	1,322	806	1,009	1,752	2,070	1,955	1,200	1,677	3,474	6,168
Half Dollar	44	40	35	30	38	42	70	29	22	32	27
Dollar	—	—	—	—	—	—	—	—	—	33	1,019
Total	17,007	14,005	12,045	14,153	19,221	19,519	20,235	12,745	16,645	20,374	27,187

** The above data reflects fiscal year shipments and should not be interpreted as mintage levels of coins for a calendar year.*

*** Prior to the establishment of the Public Enterprise Fund (PEF), revenue from circulating coinage was recognized when the coinage was produced and turned over to the cashier. Currently, under the PEF, revenue from circulating coinage is recognized when coinage is shipped to the Federal Reserve Board.*

Expenses

Circulating coinage expenses increased to $697 million in FY 2000 from $421 million in FY 1999. This represented a 66% increase over that period compared to a revenue increase of 121% for the same time period. This increase reflects the production of 7 billion more coins in FY 2000 as compared with FY 1999!

The majority of the $277 million increase (83.6%) is associated with the increases in production for the dollar and the state quarters. Approximately 41.0% of the increase relates to the production of the golden dollar and 42.6% to the production of state quarters. The major components of this cost increase are metal and metal fabrication costs ($128 million). The table below shows the increase in expenses for these two denominations:

Expenses Related to Circulating Coinage (In Millions)

Denomination	FY 1999 Expenses	FY 2000 Expenses	Difference	% Change
25 Cent Coin:				
Metal & Fabrication	$ 88.6	$ 164.7	$ 76.1	86%
Other	$ 68.8	$ 110.7	$ 41.9	61%
Total	$ 157.4	$ 275.4	$ 118.0	75%
1 Dollar Coin:				
Metal & Fabrication	$ 1.4	$ 53.1	$ 51.7	3693%
Other	$ 32.9	$ 94.5	$ 61.6	187%
Total	$ 34.3	$ 147.6	$ 113.3	330%

Circulating Profits

Profits increased to $2.5 billion in FY 2000 from $1.0 billion in FY 1999. The majority of the $1.5 billion in increased profits can be associated with the golden dollar and the state quarters program.

Increase in Profits from FY1999 to FY2000 for Quarters and Dollars (In Millions)

Denomination	**FY 1999 Profits**	**FY2000 Profits**	**Difference**
Quarter	$ 711.1	$ 1,266.5	$ 555.4
Dollar	$ (1.0)	$ 871.8	$ 872.8
Total	$ 710.1	$ 2,138.3	$ 1,428.2

The profit margins for FY 2000 on both the quarters and dollars are significant: 82% and 86% for quarters and dollars respectively.

Performance Measures Highlights

Goal: By 2003, reduce the average unit cost of circulating coinage by 15% (including metal cost).

Performance Measures:

There are two indicators that are used to measure the cost-effectiveness of the Mint's production of circulating coinage:

1. Average cost per thousand units of circulating pennies.
2. Average cost per thousand units of circulating clad and nickel coinage.

The goals for our performance measures are set intentionally high. In our private sector-like Mint culture, these goals are known as "stretch goals" which are designed to raise the performance standards of the Mint to the highest levels possible.

1. Average cost per 1,000 units of circulating pennies (including metal)

Fiscal Year	Cost/Thousand Units
FY 2000 Plan	$ 7.74
FY 2000 Year End Result	$ 8.21
FY 1999 Result	$ 8.35

The Mint exceeded its goal for circulating pennies in FY 2000. The total number of pennies shipped in FY 2000 was 13.7 billion, an increase of 2.1 billion from the 11.6 billion shipped in FY 1999. While shipping a higher volume, progress was made toward the goal as shown by a reduction from $8.35 in FY 1999 to the result of $8.21 in FY 2000.

2. Average cost per 1,000 units of circulating clad and nickel coinage (including metal)

Fiscal Year	Cost/Thousand Units
FY 2000 Plan	$ 34.48
FY 2000 Year End Result	$ 39.16
FY 1999 Result	$ 31.27

The Mint's cost per 1,000 units of clad and nickel coinage exceeded the goal of $34.48 by 14%. Actual results were affected by increased production of the higher value/cost denominations plus increased metals costs. In FY 2000, we shipped 6.2 billion quarters, compared with 3.5 billion in FY 1999. Also dollar coin operations contributed to this result. The first quarter of FY 2000 saw the need to produce and ship Susan B. Anthony Dollars; the Golden Dollar featuring Sacagawea was introduced in the second quarter of FY 2000. Approximately 1.02 billion dollar coins were shipped in FY 2000. The Mint incurred higher prices in FY 2000, compared to FY 1999, for nickel (26%) and copper (6%), the raw materials that are the main ingredients in the clad and nickel coinage. Quarters and dollar coins made up 53% of clad and nickel shipments in FY 2000 compared with 40% in FY 1999. The increase in quarter demand alone, translates to an increase in metal costs of $79 million.

Numismatic Strategic Business Unit

The vision of the Numismatic Strategic Business Unit of the U.S. Mint is to foster the health of numismatics by providing outstanding products and services, expanding markets, and supporting the long-term value of our products, while making a reasonable return for the American taxpayer.

Revenues

Numismatic revenues are generated through sales of investment (bullion) and collectible (non-bullion) products to the public. Bullion products refer to gold, silver, and platinum American Eagle Uncirculated coins that are sold to Authorized Purchasers who in turn offer them for sale to the general public. Non-Bullion products include American Eagle Proof Programs, Commemorative Programs, and Recurring Programs and are sold directly to the public by the Mint. Numismatic revenues were $488.4 million in FY 2000 compared to $967.6 million in FY 1999. As explained in greater detail below, Non-Bullion revenues increased significantly from FY 1999. This increase was offset by the drastic decrease of Bullion revenues which is largely attributable to the post Y2K decline in the demand for precious metal/bullion products and to the market saturation that ensued.

Numismatic SBU Revenue for FY1999 and FY2000 (In Millions)

Numismatic Programs	FY1999 Revenues	FY2000 Revenues	Difference	% Change
1. American Eagle Uncirculated (Bullion)	$ 806.8	$ 182.5	$ (624.3)	(77)%
2. American Eagle Proof (Non-Bullion)	$ 57.0	$ 66.4	$ 9.4	16%
3. Commemoratives (Non-Bullion)	$ 25.2	$ 34.1	$ 8.9	35%
4. Recurring (Non-Bullion)	$ 78.6	$ 205.4	$ 126.8	161%
Total	$ 967.6	$ 488.4	$ (479.2)	(50)%

Bullion Products

Numismatic revenues as a result of bullion product, specifically Gold Eagle Uncirculated sales in the American Eagle Uncirculated program, decreased to $182.5 million in FY 2000 from $806.8 million in FY 1999. Sale of gold bullion plummeted in FY 2000 due to a glut of bullion coins in the market. This was a result of an all time record demand for bullion in FY 1999 to address Y2K concerns that did not materialize. The decrease, however, is largely offset by a decline in operating expenses for the program. The U.S. Mint still dominates market share in world markets for platinum, gold, and silver bullion products, the market for these products having shrunk significantly during FY 2000.

Non-Bullion Products

American Eagle Proof Program

Numismatic revenues as a result of American Eagle Proof [the collector version of the Bullion program coins] sales increased to $66.4 million in FY 2000 from $57 million in FY 1999, an increase of 16%. In FY 2000, five of the six American Eagle options sold out within three months whereas all of these options were still for sale at the end of FY 1999.

Commemorative Coins

Revenues as a result of commemorative coin sales increased to $34.1 million in FY 2000 from $25.2 million in FY 1999, an increase of 35%. The chart below shows the results of the Commemorative Coin programs active during FY 2000 as reported to Congress. Public Law 104-208, "Omnibus Consolidated Appropriations Act for Fiscal year 1997, " requires the Mint to withhold surcharge payments to commemorative coin program beneficiaries until the Mint's investment in program, marketing and administrative activities have been recovered.

Additionally, the law requires that beneficiary organizations demonstrate they have raised equal or greater amounts of revenue from private sources. The Mint and beneficiary organizations have partnered more effectively since the legislation was passed, with both groups sharing in the risks and benefits in a business like manner.

Financial Summary From Program Inception through September 30, 2000

	Dolley Madison	George Washington	Yellowstone	Library of Congress	Leif Ericson
Revenue	$ 10,087,984	$12,111,932	$ 8,852,724	$18,935,054	$7,295,327
Cost of Goods Sold	$ 2,985,783	$ 4,911,510	$ 2,519,966	$ 8,863,218	$2,194,201
Selling, General and Admin. Expenses	$ 2,726,177	$ 2,168,805	$ 2,007,607	$ 4,092,808	$2,010,758
Net Profit Before Surcharge	$ 4,376,024	$ 5,031,617	$ 4,325,151	$ 5,979,028	$3,090,368
Surcharges on Revenues	$ 3,135,070	$ 2,247,140	$ 2,701,580	$ 2,747,915	$2,287,060
Estimated Program Close-out Costs	$ 77,517	$ 99,367	$ 114,533	$ 374,799	$ 303,398
Estimated Program Profit/(Loss)	$ 1,163,437	$ 2,685,110	$ 1,509,038	$ 2,856,314	$ 499,910

Recurring Programs

Sales of Recurring programs [circulating derived products that are produced annually by Numismatics for collectors/numismatists] increased to $205.4 million in FY 2000 from $78.6 million in FY 1999, an increase of 161%. This increase in revenue reflects growth in demand for 50 state quarter products including the sales of maps, five coin quarters sets, bags of quarters, and bags of Golden Dollars.

Expenses

Numismatic expenses decreased to $399.4 million in FY2000 from $928.7 million in FY 1999. Expenses for the Investment (Bullion) program decreased to $179.5 million in FY 2000 from $795.6 million in FY 1999, a decrease of 77%, mirroring the decline in bullion revenue. Expenses for the Non-Investment (Non-Bullion) programs increased to $219.9 million in FY 2000 from $133.1 million in FY 1999, an increase of 65%, compared to the 90% increase in revenues for these programs.

Expenses Related to Numismatic Performance (In Millions)

Numismatic Programs	FY1999 Expenses	FY2000 Expenses	Difference	% Change
1. American Eagle Uncirculated	$ 795.6	$ 179.5	$ (616.1)	(77)%
2. American Eagle Proof	$ 39.9	$ 42.3	$ 2.4	6%
3. Commemoratives	$ 19.4	$ 25.9	$ 6.5	34%
4. Recurring	$ 73.8	$ 151.7	$ 77.9	106%
Total	$ 928.7	$ 399.4	$ (529.3)	(57)%

Profits

Overall profits for the numismatic operations rose dramatically to $89 million in FY 2000 from $38.8 million in FY 1999. The profits from the Non-Investment programs (including the Commemorative Coin Program) were $86 million in FY 2000 compared to $27.7 million in FY 1999. The profits from the Investment program fell to $3 million in FY 2000 from $11.1 million in FY 1999.

Increase in Profits from FY1999 to FY2000 for Numismatic Programs (In Millions)

Numismatic Programs	FY1999 Profit	FY2000 Profit	Difference	% Change
1. American Eagle Uncirculated	$ 11.1	$ 3.0	$ (8.1)	(73)%
2. American Eagle Proof	$ 17.1	$ 24.1	$ 7.0	41%
3. Commemoratives	$ 5.8	$ 8.2	$ 2.4	41%
4. Recurring	$ 4.8	$ 53.7	$ 48.9	1019%
Total	$ 38.8	$ 89.0	$ 50.2	129%

Performance Measures Highlights

Goal: Match the best in business in the delivery of product and customer services.

Performance Measures:

1. Percentage of commemorative coins shipped within standard (four weeks)
2. Percentage of recurring coin products shipped within standard (three weeks)

1. Percentage of commemorative coins shipped within standard

Fiscal Year	Actual
FY 2000 Final Plan	98%
FY 2000 Year End Result	87%
FY 1999 Result	79%*

**Both commemorative and recurring products were combined in FY 1999. The result was 79%.*

The Mint shipped commemorative coins within the standard of four weeks 87% of the time. Heavy demand for the Yellowstone 2-coin sets outstripped our supply. The inability to obtain additional boxes for the 2-coin set from the vendor resulted in many of our shipments being delayed by more than four weeks. Demand in excess of our sales projections for the Leif Ericson and Library of Congress coins also affected our performance under this measure.

2. Percentage of recurring coin products shipped within standard

Fiscal Year	Actual
FY 2000 Final Plan	98%
FY 2000 Year End Result	90%
FY 1999 Result	79%*

**Both commemorative and recurring products were combined in FY 1999. The result was 79%.*

The Mint shipped recurring coin products within the standard of three weeks 90% of the time. The unique qualities of the 50 States Quarters program required an expanded version of the Mint's classic proof set. To accommodate proof versions of the 5 state quarters minted in 2000, the annual proof sets require revised processes to manufacture and package this expanded set. As an example, the 1999 proof sets, shipped in early FY 2000, included nine coins (penny, nickel, dime, five quarters, and half-dollar) as compared to the traditional five-coin proof set of prior years. Automation, new coin lenses, and new packaging inserts all presented challenges in production that caused delays in readying this product for customer shipments. The introduction of the new Golden Dollar featuring Sacagawea into circulation during FY 2000 presented additional challenges to the Mint's recurring coin programs. Year 2000 proof sets have increased to 10 coins from the 9-coin set, and uncirculated sets have 20 coins instead of 18 coins. Additionally, delivery of the year 2000 silver proof sets was delayed until the President signed into law a Congressional amendment to the Silver Proof Act. This Congressional act was necessary in order to include the Golden Dollar in the silver proof set.

Goal: To increase the contribution margin of the numismatic/bullion operation by aggressively pursuing new customers, new market channels and new product lines.

Performance Measures:
1. Numismatic Contribution margin for bullion
2. Numismatic Contribution margin for non-bullion

1. Numismatic contribution margin for bullion

Fiscal Year	Actual
FY 2000 Final Plan	2.0%
FY 2000 Year End Result	1.9%
FY 1999 Result	1.7%

This goal is measured by taking the bullion profit (before corporate expense allocations) as a percent of the bullion revenues. The Mint did not reach the goal of 2% due to low demand for the bullion products. Since the revenue the Mint receives from the bullion program is basically cost plus a minimal markup, the contribution margin as we've defined it here will be lower in times of low demand due to the fixed costs being spread among less revenues. This result has improved approximately 12% from FY 1999.

2. Numismatic contribution margin for non-bullion

Fiscal Year	Actual
FY 2000 Final Plan	15.0%
FY 2000 Year End Result	32.3%
FY 1999 Result	21.5%

This goal is measured by taking the non-bullion profit (before corporate expense allocations) as a percent of the non-bullion revenues. High demand for the 50 States Quarters program's ancillary products such as maps, first-day coin covers, bagged coins; and very high profitability of American Eagle proof programs contributed to this result.

Customer Service Standards

The Mint is committed to excellence in customer service. In addition to the performance measures discussed above, eight aspects of product delivery which interface directly with customers were identified. In each instance, the Mint has established a benchmark against which to gauge its operations and identify improvement opportunities. The Mint's performance against these goals is shown in the following table:

Customer Service Standards	FY 1999 Actual	FY 2000 Plan	FY 2000 Actual
1. Calls will be returned within 1 working day	98%	100%	75%
2. Refunds will be processed within 14 working days	88%	100%	80%
3. Replacements will be processed within 7 working days	29%	100%	30%
4. Responses to written inquiries will be mailed within 3 business days	81%	100%	90%
5. Make available bullion coins within 6 calendar days from the order date	100%	100%	100%
6. Customer Service phone calls answered by live agent within 17.5 seconds	43%	90%	76%
7. Provide a 95 percent average quality rate on all customer service calls	100%	100%	97%
8. Respond to all customer correspondence within three business days	60%	90%	73%

Like the goals for our performance measures, the goals for our customer service standards are set intentionally high. In our private sector-like Mint culture, these goals are known as "stretch goals" which are designed to raise the performance standards of the Mint to the highest levels possible. As such, we met one of our customer service standards (#5) and came very close to meeting a second standard (#7). In comparison with FY 1999 performance in Customer Service, we have improved or maintained 5 of our 8 Customer Service Standards. This is especially significant considering the increase in demand for non-bullion programs.

In January 2000, a new correspondence management system was implemented. This system was installed to provide better customer service, from order to fulfillment. The normal learning curve for a new system impacted our performance relative to processing refunds within 14 working days and responding to customer correspondence within three business days.

The Mint reported improved performance for 50% of the measures relative to FY 1999 performance. The greatest increased occurred with the answering of customer service phone calls by a live agent within 17.5 seconds. The Mint increased staffing for this crucial area and was able to register a 77% improvement despite a 17% increase in the number of customer service phone calls received (328,453 calls in FY 2000 versus 279,874 calls received in FY 1999).

Our FY 2000 results are consistent with the need to continue to evolve policies and procedures to better serve our customers. We are committed to match and then exceed the best in business in the quality of service received by our customers.

Protection Strategic Business Unit

The vision of the Protection division of the U.S. Mint is to maintain a highly professional police force with the tools and resources to respond to changing threats in our environment while making Protection a self-sustaining line of business.

The Mint's police force conducts business each year without publicity and headlines in a quiet, extremely efficient and professional manner. The Mint secures more than $67 billion of the Nation's gold and silver reserves. In FY 2000, the Mint produced and shipped $3.2 billion in circulating coinage and processed more than $481 million in customer payments for numismatic and bullion products. Mint police protect these assets while safeguarding 2,700 Mint employees against potential threats at six facilities.

Goal: To provide a level of security commensurate with changing threats.

Performance Measure:

Dollar losses per billion dollars of Reserve Value

Fiscal Year	Actual Losses
FY 2000 Final Plan	0
FY 2000 Year End Result	0
FY 1999 Result	0

The Mint had no dollar losses per billion dollars of reserve value. The Protection Business Unit secures the Nation's precious metal reserves as well as the facilities and employees of the Mint. This stellar performance continues to highlight the efficiency and effectiveness of the Protection Business Unit.

Other Issues

Capital Investment

During the last few years, the demand for coins has often exceeded the Mint's normal production capacity. In response to this extraordinary increase in coin demand, the Mint relied on 24-hour per day, seven day per week production schedules that necessitated overtime, weekend and holiday production in an effort to close the supply gap. These stopgap measures are not sustainable in the long run to address the nation's coinage needs. Such measures can result in depleted inventories, stressed machinery and stressed employees. In response to the challenges of increased coin demand, the Mint is undertaking a capital plan that will address the nation's immediate and longer-term circulating coinage needs. The Mint's strategy requires increasing overall production capacity with new equipment and modernizing material handling systems.

Nearly half of the coining presses are more than 20 years old and are essentially worn out. These antiquated presses are mechanically incapable of responding to the modern production and engineering requirements of the Mint. They are inefficient, slow, virtually incapable of producing anything except pennies, and frequently break down, resulting in the erosion of crucial production capacity. The Mint plans to replace these presses and replace them with new equipment. As a result, production capacity will be augmented and the gap between coin supply and demand greatly reduced.

Included in the Mint's capital investment plan are funds to provide for "facilities improvements." The category "facilities improvements" encompasses a variety of upgrades, modifications and renovations. Many of the Mint's field facilities are older structures that require significant infrastructure renovations as well as grounds improvements. Among the facilities improvements included in the Mint's plan are infrastructure improvements for new equipment, water cooling system improvements, seismic upgrades, roof repairs, redesigns and replacements and sidewalk and driveway repair. Additionally, the Mint is modernizing the fire protection system at the Philadelphia Mint and installing a modern bulk coin bagging process at the Denver and Philadelphia facilities.

The Mint's capital investment plan includes funds for information technology and protection. With technology advancing at an accelerated pace, the Mint must upgrade its information technology systems and telecommunications to effectively support our evolving operations and to maintain a competitive position in the marketplace. Major planned activities include the implementation of an Automated Data Collection System (ADCS), telecommunications upgrades, hardware/network upgrades and software acquisition. Similarly, the Mint needs state-of-the-art security technologies and equipment in order to effectively respond to ever changing security threats. Major protection items in our capital investment plan include control center upgrades, surveillance equipment at employee/visitor entrances, communications equipment and physical barriers.

The Mint utilizes a five-year planning cycle for capital investments. Many of the crucial capital projects outlined above span more than one fiscal year. During FY 2000, major areas capital spending for equipment included coin press replacements, coin press life extensions,

and coin bagging automation. Principal facilities improvements for FY 2000 included renovations and modifications at the Mint's West Point facility and upgrades to the utility infrastructure (electric, water, sewer) at the San Francisco location.

E-Commerce Activities

Prompt Payment Act (PPA)

The Prompt Payment Act (PPA), enacted on May 21, 1982, and amended on October 17, 1988, requires Federal agencies to pay commercial obligations within discrete time periods and to pay interest penalties when those time constraints are not met. During FY 2000, the Mint continued its progress in strengthening its invoice payment process. The overall percentage of late payments for FY 2000 was 3.6%, which unfortunately was above the Department's standard of 2%. This rate was a significant improvement compared to the 8.7% percent late payment rate during FY 1999. While this was an improvement, we recognize that the level is still unacceptably high and our goal is to come under 2% during FY 2001.

Electronic Funds Transfer (EFT)

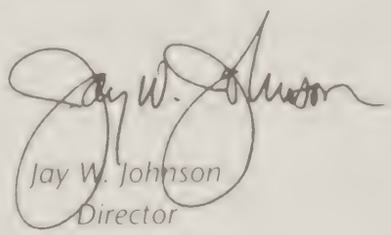
The Debt Collection Act of 1996 was signed and passed by the president of the United States on April 26, 1996. This legislation requires that all federal payments be made through the use of electronic funds transfer (EFT), with the exception of tax refunds. The Mint recognizes the efficiencies and cost savings to the government of using EFT for its financial transactions. Therefore, the Mint encourages its employees and business partners to conduct business electronically. During FY 2000, 100% of the Mint's travel reimbursements to employees and 94% of vendors were paid by EFT.

FMFIA/FFMIA Compliance

ANNUAL ASSURANCE STATEMENT
FISCAL YEAR 2000

The United States Mint has evaluated its systems of management control for the fiscal year ending September 30, 2000, in accordance with procedures and standards prescribed by the Office of Management and Budget and the General Accounting Office. For Fiscal Year 2000, the Mint continued its compliance with Section 4 of the FMFIA through on-going utilization of the Consolidated Information System (COINS). The Mint also provides reasonable assurance that the objectives of Section 2 of the FMFIA were achieved during FY 2000.

The Mint also gives assurance that all of the provisions of the Federal Financial Management Improvement Act of 1996 were achieved in FY 2000.



Jay W. Johnson
Director
United States Mint

The Mint received its seventh consecutive unqualified audit opinion on its FY 2000 financial statements. During FY 2000, the Mint refined the utilization of the COINS system to improve the accuracy and timeliness of our financial information. The implementation of COINS allowed us to shorten our closing process from approximately 70 days to close a quarter to approximately 10 days to produce monthly profit and loss statements. We anticipate that the implementation of the COINS II upgrade in early FY 2001 will further improve our financial information.

Other improvements the Mint has made over the past 12 months include the following:

- *Moving the operating inventory of gold and silver from the Bullion Books to the Mint's primary system, COINS. The Bullion Books were totally manual and were not integrated with COINS, which made product costing more difficult than necessary. With the movement of the gold and silver to COINS, we can treat the precious metal inventory as we do the metal for circulating coins—it's costed at standard and the cost of the metal is included as the coin moves through the production process. Previously, the cost of the precious metal was calculated when the coins were sold. This change in the accounting for metal costs enables us to produce more accurate and timely profit and loss statements.*

- *The Mint revised its travel reimbursement policy to require that all travel reimbursements be by direct deposit to the traveler's bank account. For FY 2000, 100 percent of travel reimbursements were by electronic funds transfer (EFT).*

- *The Mint encourages vendors to accept EFT payments for goods and services provided to the Mint. During FY 2000, the percentage of vendors receiving EFT payments reached 94 percent. The biggest obstacles to 100 percent EFT payments to vendors are (1) one-time payments to vendors and (2) telecommunications vendors do not participate in EFT programs.*

- *As has been true in the recent past, the Mint was the number one Treasury bureau in the submission of timely and accurate reports.*

In conclusion, the Mint has successfully resolved all previous material weaknesses and continues to make improvements in its accounting and reporting processes.

Department of the Treasury
U.S. Mint
Statements of Financial Position
(in Thousands)

	September 30 2000	September 30 1999
ASSETS		
Current assets		
Fund balances with Treasury and cash (Note 3)	$ 339,408	$ 183,132
Accounts receivable, net (Note 4)	2,531	3,699
Operating inventories, net (Note 5)	445,541	248,142
Advances and prepayments (Note 6)	2,346	2,997
Total current assets	789,826	437,970
Non-current assets		
Property, plant and equipment, net (Note 7)	224,635	168,977
Other assets (Note 8)	28,205	35,396
Total non-current assets	252,840	204,373
Total assets	**$ 1,042,666**	**$ 642,343**
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Accounts payable - Federal (Note 9)	$ 9,662	$ 88,974
Accounts payable - Non-Federal	49,479	27,227
Surcharges payable	6,388	6,063
Unearned revenue	14,415	4,207
Accrued salaries and benefits/unemployment insurance	10,460	8,292
Total current liabilities	90,404	134,763
Non-current liabilities		
Accrued workers' compensation benefits	29,401	25,711
Accrued annual leave	8,333	7,454
Accounts payable - Federal (Note 9)	165,083	27,351
Other liabilities	54	244
Total non-current liabilities	202,871	60,760
Total liabilities	**$ 293,275**	**$ 195,523**
NET POSITION		
Fund balance	$ 749,391	$ 446,820
Total liabilities and net position	**$ 1,042,666**	**$ 642,343**
CUSTODIAL GOLD AND SILVER RESERVES		
United States' gold and silver reserves (Note 10)	$ 10,364,687	$10,457,846
Custodial liability to Treasury (Note 10)	$ 10,364,687	$10,457,846
Net custodial position	—	—

The accompanying notes are an integral part of these statements.

Department of the Treasury
U.S. Mint
Statements of Operations and Changes in Net Position
(in Thousands)

	Years Ended September 30	
	2000	1999
Revenues		
Circulating coinage revenue	$ 3,220,917	$ 1,455,314
Sales to the public (numismatic sales)	486,509	967,256
Surcharges collected for beneficiary organizations (Note 14)	(6,907)	(6,516)
Other revenue	2,690	991
Total revenues	**$ 3,703,209**	**$ 2,417,045**
Costs and expenses		
Cost of goods sold (Note 11)	843,039	1,218,935
Selling, general and administrative expenses (Note 12)	238,139	116,181
Other costs and expenses (Note 13)	8,508	7,717
Total costs and expenses	**$ 1,089,686**	**$ 1,342,833**
Financing sources and costs not assigned to programs		
Imputed financing (Note 17)	8,093	9,879
Less: Additional employee benefit expenses (Note 17)	(8,093)	(9,879)
Total financing sources and costs not assigned to programs	—	—
Excess of revenues over total costs and expenses and financing sources, before protection costs	2,613,523	1,074,212
Protection costs	(29,952)	(22,518)
Excess of revenues over total costs and expenses and financing sources	2,583,571	1,051,694
Net position, beginning of year	446,820	413,126
Transfers to Treasury's General Fund	(2,281,000)	(1,018,000)
Net position, end of year	**$ 749,391**	**$ 446,820**

The accompanying notes are an integral part of these statements.

Department of the Treasury
U.S. Mint
Statements of Cash Flows
(in Thousands)

	Years Ended September 30	
	2000	1999
Cash flows from operating activities:		
Excess of revenues over total costs and expenses and financing sources	**$ 2,583,571**	**$ 1,051,694**
Adjustments affecting operating cash flows:		
Decrease (Increase) in accounts receivable	1,168	(127)
Decrease (Increase) in other assets	(189,557)	(48,049)
Increase (Decrease) in accounts payable	80,672	7,209
Increase in other liabilities	17,080	2,117
Depreciation and amortization	15,295	12,628
Total adjustments	(75,342)	(26,222)
Net cash provided by operating activities	**$ 2,508,229**	**$ 1,025,472**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(70,953)	(26,997)
Net cash used by investing activities	**($70,953)**	**($26,997)**
Cash flows from financing activities:		
Funds transferred to Treasury	(2,281,000)	(1,018,000)
Net cash used by financing activities	**($2,281,000)**	**($1,018,000)**
Net cash provided (used) by operating, investing and financing activities	**$ 156,276**	**($19,525)**
Fund balances with Treasury and cash at beginning of year	**$ 183,132**	**$ 202,657**
Fund balances with Treasury and cash at end of year	**$ 339,408**	**$ 183,132**

Footnotes

Department of the Treasury
United States Mint

Notes to the Financial Statements for Fiscal Year Ended September 30, 2000

(Dollars are in thousands except Fine Troy Ounce information)

Note 1 Reporting Entity

Established in 1792, the Mint is an integral part of the Department of the Treasury. The mission of the Mint is to manufacture coins for general circulation, to manufacture and sell numismatic products for the benefit of the federal government and various beneficiary organizations, and to protect certain federal assets in its custody. Numismatic products include medals, proof coins, uncirculated coins, platinum, gold, and silver bullion coins, and commemorative coins. Custodial assets consist primarily of the United States' gold and silver metal reserves. These custodial reserves are reported in the custodial segment of the Statement of Financial Position.

Manufacture of numismatic products is financed principally through sales to the public. Manufacture of circulating coinage is financed through sales of coins at face value to the Federal Reserve System. Activities related to protection of federal custodial assets are funded by revenues of the Mint's Public Enterprise Fund (PEF).

Pursuant to Public Law 104-52, the PEF was established to account for all revenues and expenses related to production and sale of numismatic products and circulating coinage and protection activities. Expenses accounted for in this fund include the cost of metals used in circulating coin production, the cost of metals (gold, silver, platinum, cupro-nickel, and zinc) used in numismatic coin production, fabrication and transportation-in costs for metals used in circulating coinage and numismatic products, and costs of transporting circulating coinage between Mint production facilities and Federal Reserve banks. Other costs/expenses accounted for in this fund include costs related to research and development and purchases of equipment, as well as capital improvements. P.L. 104-52 states that any amount in the PEF that is determined to be in excess of the amount required by the PEF shall be transferred to the Treasury.

Treasury's Bullion Fund (Bullion Fund) is used to account for United States gold and silver reserves. A separate Schedule of Custodial Gold and Silver Reserves has been prepared for the Treasury gold and silver reserves for which the Mint acts as custodian.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The Mint has historically prepared its financial statements in accordance with generally accepted accounting principles, based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. In October 1999, the Federal Accounting Standards Advisory Board (FASAB) was designated by the American Institute of Certified Public Accountants (AICPA) as the standards-setting body for

financial statements of federal government entities, with respect to the establishment of generally accepted accounting principles. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in accordance with generally accepted accounting principles for those federal entities, such as the Mint, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Mint's financial statements are presented in accordance with accounting standards promulgated by the FASB.

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. This basis conforms with generally accepted accounting principles. All intra-Mint transactions and balances have been eliminated.

Revenues
Circulating Coinage: P.L. 104-52, establishing the PEF, provides for the sale of circulating coinage at face value to the Federal Reserve System. Revenue from circulating coinage is recognized when the product is shipped to the Federal Reserve Banks.

Numismatic Sales: Revenue is recognized when products are shipped to customers. Prices for numismatic products are based on the product cost plus a reasonable profit. Bullion products are priced based on the market price of the precious metals plus a small market premium.

Unearned Revenues: These are amounts received from customers for which the numismatic products have not been shipped.

Other Revenues: These are amounts received principally from reimbursable agreements with other agencies.

Fund Balances with Treasury
Except for an imprest fund at each Mint facility, all cash is maintained at the Treasury.

Operating Inventories
Inventories of circulating coinage and numismatic products are valued at the lower of cost or market value, with cost being determined by the average cost method. Absent historical cost records to determine acquisition cost of the gold and silver over the decades, the statutory rates of $42.2222 per fine troy ounce (FTO) of gold and $1.292929292 per FTO of silver are used. All work-in-process gold and silver inventories have been included in the Mint's financial statements.

The Defense Logistics Agency (DLA) has loaned the Mint 143,711.1 ounces of platinum to be used as working stock for its platinum programs. In the agreement with DLA, the Mint agrees to use the platinum and replace the amount used. This platinum supply is not carried in the accounts of the Mint; rather, DLA maintains accountability.

Advances and Prepayments
Payments in advance of the receipt of goods and services are recorded as prepaid expenses at the time of prepayment and are expensed when related goods and services are received.

Property, Plant and Equipment
Property, plant, and equipment are valued at cost less accumulated depreciation. The Mint's threshold for capitalizing new property, plant, and equipment was increased in FY 2000 from $5,000 to $25,000. Assets from prior years that were below the new threshold were expensed, net of accumulated depreciation, this fiscal year. Depreciation is computed on a straight-line basis over the estimated useful lives of related assets as follows:

ADP Software	2 to 10 years
Machinery and Equipment	7 to 20 years
Structures, Facilities, and Leasehold Improvements	10 to 20 years

Costs and related depreciation of plant and equipment assets used jointly in numismatic and circulating coinage production are allocated to each activity based on usage percentages.

Major alterations and renovations are capitalized over the shorter of a 20-year period or the remaining useful life of the asset and depreciated on the straight-line method, while maintenance and repair costs are charged to expense as incurred.

Surcharges
Legislation authorizing commemorative programs often requires that the PEF remit a portion of the sales proceeds to beneficiary organizations. These amounts are defined as "surcharges." A surcharges payable is established for surcharges received but not yet paid to the beneficiary.

P.L. 104-208, Omnibus Consolidated Appropriations for Fiscal Year 1997 (the Act), was passed on September 28, 1996 changing the requirements of paying surcharges for commemorative coin programs. Prior to the Act, any surcharges received were to be restricted to the benefiting organization. However, the Act made the benefiting organizations full partners in bearing costs, risks, and marketplace realities of selling coins. Benefiting organizations cannot receive surcharge payments unless all operating costs of the coin program are fully recovered. The Mint may make interim surcharge payments during a commemorative program if the benefiting organization meets the eligibility criteria in the Act, if the profitability of the program is determinable, and if the Mint is assured it is not at risk of a loss.

Annual, Sick, and Other Leave
Annual leave is accrued when earned and reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

Accrued Workers Compensation
A liability is recorded for estimated future payments to be made for workers compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability is based on the net present value of estimated future payments. Estimated future payments to be made by the

Treasury are calculated by the Department of Labor, which tracks and pays the claims and is subsequently reimbursed by the Treasury. A portion of Treasury's liability is allocated to the Mint based on prior claims payment experience.

Other Liabilities
Other liabilities consist of undeliverable numismatic products.

Displays and Archives
The Mint has a display area at each of its facilities and maintains archives at its headquarters in Washington, D.C. The displays and archives include valuable coins and commemoratives minted domestically and internationally and other artifacts related to minting operations. These items are not included in balances reported in these financial statements. Records are maintained of all coins, commemoratives, and valuable artifacts. Physical inspections are performed annually to assure accountability.

Protection Costs
The Mint is responsible for safeguarding much of the Federal government's precious metals and strategic stockpiles. These costs are borne by the Mint, but are not directly related to the circulating or numismatic coining operations of the Mint. Organizationally, the Protection Strategic Business Unit is a separate line of business from coining operations.

Reclassification
Certain balances have been reclassified in FY 1999 to conform to the presentation in FY 2000.

Hedging
In August 1999 the Mint began the process of hedging the purchases of base metals used to manufacture United States coinage. Base metals (zinc, copper, and nickel) account for thirty percent of the cost of manufacturing coins. Metal prices are subject to significant variation as a result of market price volatility. The objective of the Mint's base metals risk management program is to reduce the variation in metal costs resulting from market price swings. To accomplish the risk management objectives, swap hedges are utilized to lock in metal prices on physical purchase commitments made but not yet delivered.

In FY 2000, The Mint adopted and is in compliance with Statement of Financial Accounting Standards No. 133, and follows the accounting guidelines for "cash flow" hedging. Cash flows (gains or losses) generated from the Mint's hedging activities are accounted for in the Statement of Operations during the accounting period in which the hedges are resolved. Gains and losses generated from hedging activities in fiscal year 2000 are not material. At the beginning of fiscal year 2001, the Mint has purchase commitments and hedges in place for twenty-five percent of the forecasted base metal requirements. All of these hedges are expected to be resolved during the first quarter of the new fiscal year. The Mint estimates that gains and losses resulting from resolving these hedges will not be material.

Note 3 Fund Balances with Treasury and Cash

Components of fund balances with Treasury at September 30 are as follows:

	2000	1999
Revolving fund	$ 339,388	$ 183,110
Imprest fund	20	22
Total fund balance with Treasury and cash	$ 339,408	$ 183,132

At September 30, 2000 and 1999, revolving fund balances included $6.39 million and $6.06 million, respectively, in restricted amounts for possible payment of surcharges to beneficiary organizations. Revolving fund balances also include amounts in budgetary clearing accounts.

Note 4 Accounts Receivable

Components of accounts receivable at September 30 are as follows:

	2000	1999
Accounts receivable, Federal	$ 111	$ –
Accounts receivable, Non-Federal	2,778	4,057
Less allowance for doubtful accounts	(358)	(358)
Total accounts receivable	$ 2,531	$ 3,699

Accounts receivable consist primarily of amounts due from shipments to Federal Reserve Board near year-end for which deposit tickets have not been received. These amounts were subsequently received in early FY 2001.

Beginning in FY 1997, an allowance for uncollectible customer accounts receivable was established for all accounts that are delinquent more than 90 days. However, the Mint will continue collection action as specified by the Debt Collection Improvement Act of 1996.

Note 5 Operating Inventories

The components of operating inventories at September 30 are summarized below:

	2000	1999
Numismatic programs:		
Operating components	$ 244,183	$ 120,996
Supplies	8,974	7,246
Allowance for program closeout	(4,701)	–
Sub-total numismatic	$ 248,456	$ 128,242
Circulating coinage program:		
Operating components	$ 185,802	$ 114,992
Supplies	11,283	4,908
Sub-total circulating coinage	$ 197,085	$ 119,900
Total operating inventories	$ 445,541	$ 248,142

Operating components of inventories include direct materials, direct labor, and overhead for work-in-process and finished goods inventories. Direct materials consist of metals, fabrication costs, and transportation-in costs (costs related to the shipment of metals from fabricators and

between Mint facilities). Direct labor consists of direct factory labor costs, and overhead consists of indirect labor costs, indirect materials (including dies), utilities, and depreciation. Costs of precious metals (without fabrication and transportation) in the operating components at September 30 are as follows:

	2000	1999
Gold	$ 121,544	$ 69,176
Silver	31,699	10,766
Platinum	43,864	11,000
Total cost of precious metals in operating component	$ 197,107	$ 90,942

Note 6 Advances and Prepayments

The components of advances and prepayments at September 30 are summarized below:

	2000	1999
Federal:		
Prepaid postage services	$ –	$ 199
Advances to others	2,258	2,687
	$ 2,258	$ 2,886
Non-Federal:		
Other prepayments	$ –	$ –
Advances to others	88	111
	$ 88	$ 111
Total advances and prepayments	$ 2,346	$ 2,997

Advances to Others-Federal are the amount the Mint pays into the Treasury Working Capital Fund (the Fund), a revolving fund that operates as an accounting entity. In the Fund, the assets are capitalized and all income is in the form of offsetting collections derived from each of the Treasury bureaus and available to finance the Fund's operations. Advances to Others-Non-Federal consist primarily of advances to employees such as travel.

Note 7 Property, Plant and Equipment

Components of property, plant and equipment at September 30 are as follows:

	2000	1999
Land	$ 2,529	$ 2,529
Structure, facilities and leasehold improvements	118,004	103,139
New computer system	37,000	37,000
ADP software	2,480	2,234
Machinery and equipment	197,750	141,266
Assets under capital lease	50	692
	$ 357,813	$ 286,860
Less accumulated depreciation and amortization	(133,178)	(117,883)
Total property, plant and equipment, net	$ 224,635	$ 168,977

Mint facilities used to manufacture circulating coinage and numismatic products are owned by the Mint and located in San Francisco, California, Philadelphia, Pennsylvania, Denver, Colorado, and West Point, New York. In addition, the Mint owns the land and buildings at the Fort Knox Bullion Depository in Kentucky. Depreciation and amortization expense charged to operations for FY 2000 and FY 1999 were $19.11 million and $13.82 million, respectively. The majority of items under capital lease are various pieces of electronic data processing equipment, i.e., the mainframe computer, peripheral hardware and other items.

Note 8 Other Assets

Other assets consist primarily of $14.42 million and $27.35 million due from the Defense Logistics Agency (DLA) at September 30, 2000 and 1999, respectively for silver that DLA owes to the Treasury.

Also included in other assets are progress payments (prepayments) for equipment and building improvements under construction. The Mint has initiated a Mint-wide security upgrade, which requires progress payments be made to the construction contractors. No progress payments were made in FY 2000. As of September 30, 2000 cumulative balance for such payments is $7.86 million, which represents the balance brought forward from FY 1999.

Note 9 Accounts Payable – Federal

Effective FY 2000, Treasury's gold and silver used in numismatic coin production are recorded in the accounts of the Public Enterprise Fund as it is reflected in the Mint's financial statements. The major portion of these accounts is the non-custodial gold and silver used as working stock for numismatic coin production.

Prior to FY 2000, PEF gold was classified as a current liability because non-custodial Treasury gold was being used in Mint numismatic operations, then promptly reimbursed by the Mint PEF, as the coins were sold. In FY 2000, the Mint recorded a long-term payable to Treasury for the base amount of operating gold in its use at the Settlement date for numismatic operations.

The following is a summary of Accounts Payable-Federal at September 30, 2000 and 1999:

	2000	1999
Current:		
Metal used as working stock inventory	$ –	$ 79,943
Funds to be transferred to others	9,662	9,031
	$ 9,662	$ 88,974
Non-Current:		
Metal used as working stock inventory	$ 150,662	$ -
Metal at DLA for future working stock	14,421	27,351
	$ 165,083	$ 27,351

The funds to be transferred to others resulted from the sale of metal used in Mint products and other amounts owed to Federal entities, primarily the Treasury and DLA.

Note 10 Custodial Gold and Silver Reserves

The Mint is responsible for safeguarding much of the nation's precious metals and strategic stockpiles and is the custodian of a significant portion of the United States' gold and silver reserves. These resources are reported in the custodial segment of the Statement of Financial Position at the lower of cost or market value. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, statutory rates of $42.2222 per FTO of gold and $1.292929292 per FTO of silver are used to value the entire custodial reserves held by the Mint. An offsetting custodial liability is also reported for these assets. For purposes of comparison, the market value of these assets is disclosed in this note.

Amounts and values of custodial gold and silver in the custody of the Mint at September 30 are as follows:

	2000	1999
Gold:		
Inventories (FTO)	245,262,897	247,078,556
Market Value ($ per FTO)	$ 273.65	$ 299.00
Market Value ($ in thousands)	$ 67,116,192	$ 73,876,488
Statutory Value ($ in thousands)	$ 10,355,539	$ 10,432,200
Silver:		
Inventories (FTO)	7,075,171	19,835,748
Market Value ($ per FTO)	$ 4.8875	$ 5.575
Market Value ($ in thousands)	$ 34,580	$ 110,584
Statutory Value ($ in thousands)	$ 9,148	$ 25,646
Total Market Value of Custodial Gold and Silver Reserves ($ in thousands)	$ 67,150,772	$ 73,987,072
Total Statutory Value of Custodial Gold and Silver Reserves ($ in thousands)	$ 10,364,687	$ 10,457,846

Note 11 Costs of Goods Sold

Following are components of cost of goods sold FY 2000 and FY1999:

	2000	1999
Finished goods, beginning inventory	$ 35,665	$ 12,303
Cost of goods manufactured:		
Work-in-process, beginning inventory	58,441	6,202
Direct Labor	22,738	17,731
Manufacturing overhead	1,035,631	1,276,805
Work-in-process, ending inventory	(247,835)	(58,441)
Total cost of goods manufactured	$ 868,975	$ 1,242,297
Cost of goods available for sale	$ 904,640	$ 1,254,600
Finished goods, ending inventory	(61,601)	(35,665)
Cost of goods sold	$ 843,039	$ 1,218,935

Manufacturing overhead includes all the cost of metal, fabrication, and transportation. Precious metal values are $194,713 and $801,272 for FY2000 and FY1999, respectively.

Note 12 Selling, General and Administrative Expenses

Following are components of selling, general and administrative expenses for FY2000 and FY 1999:

	2000	1999
Selling expenses:		
Marketing (including Customer Service Center rent)	$ 40,502	$ 25,793
Advertising (including postage to mail brochures)	11,437	4,592
Advertising for coin awareness	47,513	7,668
Transportation to Federal Reserve Banks (FRB)	13,120	4,914
	$ 112,572	$ 42,967
General and administrative:		
Other salaries and benefits	$ 34,296	$ 25,098
Computer services	14,484	10,594
Transportation, communication, and training	8,804	4,725
Supplies	2,221	3,637
Depreciation	7,936	4,737
Rent	10,432	5,153
Other administrative services	47,394	19,270
	$ 125,567	$ 73,214
Total selling, general, and administrative	$ 238,139	$ 116,181

Note 13 Other Costs and Expenses

These consist primarily of returns of mutilated or uncurrent coins to the Mint. The Mint reimburses the entity that sent in the coins for the face value of these coins if the coins are individually identifiable. If the coins have melted (as in a fire), the Mint reimburses the entity an amount based on the metal content of the melted mass.

Note 14 Surcharges Collected

Following are components of surcharges collected by product and beneficiary organization for FY 2000 and FY 1999. The surcharge recipients of programs subject to the provisions of P.L. 104-208 must meet certain requirements before the Mint can make surcharge payments. These requirements include raising matching funds and providing audited financial statements.

Commemorative Program	Beneficiary Organization	2000	1999	Sales Period
National Law Enforcement Officers Memorial	National. Law Enforcement Meml. Maintenance Fund	$ -	$ 72	1997/1998
Black Patriots	Black Revolutionary War Patriots Memorial	-	82	1997/1998
Robert F. Kennedy	RFK Memorial	-	146	1998/1999
Dolley Madison	National Trust for Historic Preservation	332	2,805	1999/2000
George Washington	Mount Vernon Ladies	321	1,926	1999/2000
Yellowstone	National Park Foundation/ Yellowstone National Park	1,217	1,485	1999/2000
Library of Congress	Library of Congress	2,748	-	2000
Yosemite Medal	National Park Foundation	2	-	1992/1997/2000
Leif Ericson	Leif Ericson Foundation	2,287	–	2000
Total Surcharges Collected		**$ 6,907**	**$ 6,516**	

Note 15 Lease Commitments

The Mint leases space in four buildings in Washington, D.C., one in San Francisco, and one in Denver. The warehouse space in San Francisco and the space in Denver are leased from the General Services Administration (GSA), which charges a fee that approximates the commercial rental rates for similar properties. The remaining buildings are leased from private sources. Total rental expense was $11.73 million and $5.68 million in FY 2000 and FY1999, respectively.

Operating Leases Schedule of Minimum Future Rental Payments (in thousands) Year Ended 9/30:	
2001	$ 8,541
2002	11,169
2003	10,182
2004	10,349
2005	10,866
After 2005	125,101
Total minimum future rental payments	**$ 176,208**

Note 16 Contingencies

The Mint is subject to legal proceedings and claims which arise in the ordinary course of its business. Judgments, if any, resulting from pending litigation against the Mint generally would be satisfied from the Department of Treasury Judgment Fund. In the opinion of management, the ultimate resolution of these actions will not materially affect the Mint's financial position or the results of its operations.

The Mint also has pending a recovery claim against a vendor's insurer on an all-risk policy. Under this policy, the Mint is a beneficiary for the full value (approximately $13 million) of certain refined silver held on behalf of the Mint by this vendor. This vendor is also the subject of a bankruptcy proceeding. The Mint intends to vigorously pursue recovery from the insurance company for the full amount of the silver's market value, subject to set off by proceeds from the bankruptcy settlement.

Note 17 Retirement Plans and Other Postemployment Costs (Imputed Financing)
At the end of FY 2000, approximately 25 percent of the Mint's employees participate in the Civil Service Retirement System (CSRS), to which the Mint contributes 8.51 percent of pay. On January 1, 1987, the Federal Employees' Retirement System (FERS) went into effect pursuant to P.L. 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to join FERS or remain in CSRS.

A primary feature of FERS is that it offers a savings plan to which the Mint automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. FERS employees are allowed a maximum annual contribution of ten percent of salary. Employees participating in FERS are covered by the Federal Insurance Contribution Act (FICA) for which the Mint contributes a matching amount to the Social Security Administration.

Although the Mint contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Therefore, the Mint does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to Mint employees. Responsibility for reporting such amounts is the responsibility of the Office of Personnel Management (OPM). The Mint is recognizing its share of the cost of providing a pension benefit to eligible employees with an offset classified as imputed financing. OPM has provided the Mint with certain cost factors that estimate the true cost of providing the pension benefit to current employees. The cost factors of 24.2 percent of basic pay for CSRS-covered employees and 11.5 percent of basic pay for FERS-covered employees were in use for both FY 2000 and FY 1999.

The following table shows the amounts that the PEF contributed to the retirement plans and Social Security in FY 2000 and FY 1999, respectively.

	2000	1999
Civil Service Retirement System	$ 2,629	$ 2,593
Federal Employees Retirement System (Retirement & Thrift Savings Plan)	10,779	8,292
Social Security System	8,199	6,080
	$ 21,607	$ 16,965

The Mint is also recognizing its share of the future cost of post-retirement health benefits and life insurance for employees while they are still working with an offset classified as imputed financing. OPM continues to report the overall liability of the federal government and make direct recipient payments. OPM has also provided certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The cost factor relating to health benefits is $2,733 and $2,731 per employee enrolled in the Federal Employees Health Benefits Program in FY 2000 and 1999, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02%) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for FY 2000 and FY 1999.

The amount of imputed cost incurred by the Mint for FY 2000 and FY 1999 is as follows (before the offset for imputed financing):

	2000	1999
Pension Expense	$ 2,577	$ 3,825
Health Benefits	5,496	6,038
Life Insurance	20	16
	$ 8,093	$ 9,879

Note 18 Related Parties

The Mint is subject to management control by the Secretary of the Treasury.

The Mint is required by legislation to obtain silver to be used in minting of commemoratives from the DLA stockpiles. The Mint has been using DLA silver in the production of numismatic silver coins. In FY 2000, due to the dwindling supply of DLA silver, the Mint has gone out on the open market to meet coin production demands. It is expected that the Mint will deplete the DLA stockpiles of silver within the next two fiscal years. The Mint reimburses the DLA at the market price for silver, less the statutory rate of $1.292929292 per FTO. The $1.292929292 per FTO is paid by the Mint to the Treasury.

During FY 2000 and FY 1999, payments were made to the following government entities:

	2000	1999
Government Printing Office	$ 178	$ 182
U.S. Postal Service	21,243	9,631
General Services Administration	3,238	4,785
	$ 24,659	$ 14,598

The Mint shipped approximately $3,109 million in coins to the Federal Reserve Banks in FY 2000. This amount represents a 114% increase over FY 1999 shipments that approximated $1,455 million. Numismatic orders, checks, and credit card orders are processed by a commercial bank. Fees associated with these services are absorbed by the Treasury and are not reflected in the Mint's financial statements.

UK &W Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the accompanying statements of financial position of the United States Mint (Mint), a bureau of the Department of the Treasury, as of September 30, 2000 and 1999, and the related statements of operations and changes in net position, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Mint's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the United States' gold and silver reserves (Custodial Gold and Silver Reserves) for which the Mint serves as custodian. These reserves were audited by the United States Department of the Treasury, Office of Inspector General (OIG) whose report has been furnished to us, and our opinion, insofar as it relates to these reserves, is based solely on the report of the OIG.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the OIG provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the OIG, the financial statements referred to above, present fairly, in all material respects, the financial position of the Mint as of September 30, 2000 and 1999, and the results of its operations, the changes in its net position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

1030 Fifteenth Street NW, 12th Floor, Washington, DC 20005 (202) 296-2020 FAX (202) 223-8488
An Independent Member of Urbach Hacker Young International

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental statements of net cost is presented for purposes of additional analysis and is not a required part of these financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards,* we have also issued reports dated January 12, 2001 on our consideration of the Mint's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards,* and in considering the results of the audit, these reports should be read in conjunction with this report.

Urbach Kahn & Werlin LLP

Washington, DC
January 12, 2001

UK
&W

UK &W Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the financial statements of the United States Mint (Mint), a bureau of the Department of the Treasury, as of and for the year ended September 30, 2000, and have issued our report thereon dated January 12, 2001. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by the OIG. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Mint's internal control over financial reporting by obtaining an understanding of the Mint's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Mint's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted the following matter involving

1030 Fifteenth Street NW, 12th Floor, Washington, DC 20005 (202) 296-2020 FAX (202) 223-8488
An Independent Member of Urbach Hacker Young International

the internal control and its operation that we consider to be a reportable condition. However, this reportable condition is not believed to be a material weakness.

INFORMATION SYSTEM CONTROL IMPROVEMENTS ARE NEEDED

We conducted a general controls review of the Mint's financial management information systems in accordance with the General Accounting Office's, *Federal Information System Controls Audit Manual* (FISCAM). This guidance requires compliance with OMB Circular A-130, *Management of Federal Information Systems*, and other applicable Federal information security requirements for Federal agencies.

We identified weaknesses with logical access controls that lead us to conclude these controls need to be improved. We continued to note that current risk assessments for the facilities have not been performed, modem numbers are not periodically changed, physical security of server rooms need improvement (e.g. server room doors are left open during business hours at Mint facilities), Mint password policies and procedures may not be adequately enforced (e.g. the application used does not require password to be changed and the password may be null), user access request and list management control may be insufficient, and formalized policy and procedures have not been developed to review access to sensitive facilities. These conditions may lead to uncontrolled access to Mint financial systems and data.

Additionally, we noted the following issues for fiscal year 2000: security plans for each facility have not been developed, one section of the Mint Headquarters security plan has not been accredited, and a formal process is not in place to ensure that system and security administrators are promptly notified of separated employees.

These access control findings combined with the lack of formal program change management may indicate that the duties of users, developers and management may not be properly segregated. For instance: the application software development test plan does not define the responsibilities of all parties to the process; policy and procedures for restricting access to system software have not been developed and implemented; while formal program change request forms are not used when a change in system or application software is needed.

In addition to these findings, service continuity is a concern, due to the lack of preparation by the Mint. Specifically, a Disaster Recovery Plan (DRP) for each facility has not been developed, Mint locations have inadequate environmental control systems for server rooms (e.g. we observed certain locations that did not have fire alarms, smoke detectors, or water abatement systems), Mint facilities lack formal operating procedures, and emergency response procedures have not been developed for the building where COINS is housed.

We recommend the Director of the Mint ensure that:

The Offices of Chief Information Officer and Chief Financial Officer:

UK
&W

- Review, update, and maintain risk assessments and security plans for all identified systems and facilities in accordance with OMB Circular A-130.

- Implement appropriate access and security controls over server rooms and computer systems, to include (a) change modem dial-in numbers periodically; (b) performing periodic reviews of individuals with "unescorted access" privilege to server rooms and implementing physical access controls on the server room doors; (c) enforcing Mint password policies; and (d) enforcing use of standard access request forms and performing periodic comparisons of system users to personnel lists.

- Develop responsibilities for the parties identified in the test plans and using change request forms to initiate and control the production COINS on program development process.

- Develop policies to restrict access to the system and production COINS software to curtail the risk that inappropriate access rights to such sensitive programs is granted to users.

- Formally document disaster recovery plans for all identified facilities in accordance with OMB Circular A-130 and periodically test the plans to ensure reliability and the preparedness of staff to execute them. Also, develop emergency evacuation plans for the Mint locations, to establish set procedures for an orderly and timely exit from building should an evacuation be necessary and also establishes procedures for reentry.

- Develop standard operating procedures for Mint IT facilities. Such formality can limit the risk of unscheduled down time and inappropriate processing of data.

In addition, with respect to internal controls related to performance measures reported in the "Management Discussion and Analysis," we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control and its operations, which have been reported to the management of the Mint in a separate letter dated January 12, 2001.

This report is intended solely for the information and use of the OIG of the United States Department of the Treasury, the management of the Mint, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Washington, DC
January 12, 2001

UK
&W

UK &W Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the financial statements of the United States Mint (Mint), a bureau of the Department of the Treasury, as of and for the year ended September 30, 2000, and have issued our report thereon dated January 12, 2001. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by the OIG. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements.*

The management of the Mint is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Mint.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the Mint's financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803 (a) requirements.

The results of our tests disclosed no instances in which the Mint's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

1030 Fifteenth Street NW, 12th Floor, Washington, DC 20005 (202) 296-2020 FAX (202) 223-8488
An Independent Member of Urbach Hacker Young International

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the OIG of the United States Department of the Treasury, the management of the Mint, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Washington, DC
January 12, 2001

UK&W

Supplementary Financial Information

In this Supplemental Section of the Report, we provide additional information related to the financial condition of the U.S. Mint. Each section provides its own additional insight.

Supplemental Information per Public Law 106-445

The following supplemental schedules were prepared in compliance with the new reporting requirement per Public Law 106-445 Section 5134(e)(2) of title 31, United States Code that was amended in FY 2000, which required the Mint to include in its annual report specific information regarding the costs and expenses for producing, marketing, and distributing circulating coinage -- both in gross and on a per-unit basis — as well as gross revenue from the sales of each denomination.

The first schedule provides the information detailing the costs and expenses for the production, for the marketing, and for the distribution of each denomination of circulating coins produced by the Mint during FY 2000 as well as the gross revenue derived from the sales of each such denomination of coins. The second schedule provides the information for the per-unit cost of producing and of distributing each denomination of such coins.

Circulating SBU Profit and Loss for FY 2000
For the period ending September 30, 2000

(in Millions)

	Penny	Nickel	Dime	Quarter	Half	Dollar	Other	Total
Units Shipped	13,667.5	2,421.1	3,884.0	6,167.7	27.0	1,109.4		27,186.7
Revenue	$ 136.7	$ 121.0	$ 388.4	$ 1,541.9	$ 13.5	$ 1,019.4	$ 0.6	$ 3,221.5
Cost of Production	$ 110.3	$ 75.8	$ 73.0	$ 264.7	$ 2.6	$ 102.2	$ 8.3	$ 636.9
Distribution to FRB	$ 1.9	$ 0.7	$ 1.5	$ 5.8	$ 0.1	$ 3.0		$ 13.0
Total Expenses prior to Marketing	$ 112.2	$ 76.5	$ 74.5	$ 270.5	$ 2.7	$ 105.2	$ 8.3	$ 649.9
Marketing	$ –	$ –	$ –	$ 4.9	$ –	$ 42.4	$ –	$ 47.3
Profit/(Loss)	$ 24.5	$ 44.5	$ 313.9	$ 1,266.5	$ 10.8	$ 871.8	$ 7.7	$ 2,524.3

Unit Cost of Producing and Distributing Coins
for the period ending September 30, 2000

	Penny	Nickel	Dime	Quarter	Half	Dollar	Other
Cost of Production	$0.0081	$0.0313	$0.0188	$0.0429	$0.0963	$0.1003	N/A
Distribution to FRB	$0.0001	$0.0003	$0.0004	$0.0009	$0.0037	$0.0029	N/A
Total Expenses prior to Marketing	$0.0082	$0.0316	$0.0192	$0.0438	$0.1000	$0.1032	

Supplemental Statements of Net Cost

OMB Bulletin 97-01 requires two additional supplemental statements—the Statement of Financing and the Statement of Budgetary Resources. These statements are designed for organizations that operate under an annual appropriation from Congress. The Mint is a full revolving fund and receives no appropriated funds. In addition, the Mint is a manufacturing operation with operating inventories. The OMB statements do not allow for consideration of operating inventories. Therefore, we do not present these statements in this report as they may mislead the reader.

Department of the Treasury
U.S. Mint
Supplemental Statements of Net Cost
(in Thousands)

	Years Ended September 30, 2000	1999
COSTS:		
NUMISMATIC PRODUCTION AND SALES		
Intragovernmental		
Cost of Goods Sold	$ –	$ –
Selling, General and Administrative	19,263	17,554
Other costs and expenses	809	988
Total Intragovernmental	20,072	18,542
With the Public		
Cost of Goods Sold	329,116	885,446
Selling, General and Administrative	43,918	19,084
Other costs and expenses	225	128
Total With the Public	373,259	904,658
Less earned revenues	481,526	961,031
Net program costs (profit)	**($88,195)**	**($37,831)**
CIRCULATING PRODUCTION AND SALES		
Intragovernmental		
Cost of Goods Sold	$ –	$ –
Selling, General and Administrative	40,259	25,568
Other costs and expenses	7,284	8,891
Total Intragovernmental	47,543	34,459
With the Public		
Cost of Goods Sold	513,923	333,489
Selling, General and Administrative	134,699	53,975
Other costs and expenses	8,283	7,589
Total With the Public	656,905	395,053
Less earned revenues	3,221,488	1,455,811
Net program costs (profit) (A)	**($2,517,040)**	**($1,026,299)**
PROTECTION OF ASSETS	**$ 29,757**	**$ 22,315**
COSTS ASSIGNED TO OTHER AGENCIES (not assigned to program):		
Other post-employment benefit costs	–	–
Less funding sources	–	–
Net program costs (profit)	–	–
NET COST OF (PROFIT FROM) OPERATIONS	**($2,575,478)**	**($1,041,815)**

(A) Net Program cost (profit) from circulating production and sales on this statement will not agree with the supplemental schedule for Circulating SBU Profit and Loss because imputed cost is not included in the supplemental schedule.

This statement is modeled primarily on OMB Bulletin 97-01, using proprietary accounting data. The Mint's three programs are reported separately in the Supplemental Statements of Net Cost; whereas they are combined in the Statements of Operations and Changes in Net Position.

Costs of goods sold presented in the Supplemental Statement of Net Cost has been reclassified from intragovernmental cost to cost with the public. A part of selling, general and administrative expenses has been reclassified from cost with the public to intragovernmental cost.

Glossary of Terms and Acronyms

AFGE – American Federation of Government Employees

American Eagle Program – Gold, platinum, or silver coins issued in proof or uncirculated qualities. Gold and platinum coins are issued with one-tenth, one-quarter, one-half and one ounce precious metal content. Silver coins are issued with one ounce of silver metal content. The proof quality coins are considered numismatic products and are sold directly to consumers either as individual coins or in various combinations of sizes and metals. Uncirculated quality coins are considered investment-quality coins and are sold directly to a limited number of precious metal dealers.

CFO – Chief Financial Officer

Circulating Coins – the penny, nickel, dime, quarter dollar, half dollar, and one dollar coins used in daily commerce.

COINS – Consolidated Information System, the Mint's fully integrated enterprise resource planning system. The Mint utilizes PeopleSoft manufacturing and financial modules, Smith-Gardner Mail Order and Catalogue System (MACS) for processing coin orders from consumers, and MAXIMO for tracking inventory other than metal.

Commemorative Coin Programs – coins that the Mint is directed to produce and market based on Congressionally enacted legislation. These programs generally honor significant people (i.e., Dolly Madison), events (i.e., the Olympic Games), or things (i.e., the National Law Enforcement Officers Memorial). Commemorative coins are generally sold for a 12-month period as defined in the legislation.

CSRS – Civil Service Retirement System

DLA – Defense Logistics Agency

ERP System – Enterprise Resource Planning System, a series of computer modules/programs that work together to allow a business to plan production, track inventory, fill customer orders, and produce accurate financial information in a timely manner. The Mint's COINS is an example of an ERP System.

FECA – Federal Employees Compensation Act

FERS – Federal Employees Retirement System

FFMIA – Federal Financial Management Improvement Act of 1996

FICA – Federal Insurance Contribution Act

FMFIA – Federal Managers' Financial Integrity Act of 1982

FRB – Federal Reserve Board or Bank

FTO – Fine Troy Ounce

FY – Fiscal Year

GSA – General Services Administration

Hammer Award – An award created by Vice President Gore's National Partnership for Reinventing Government to honor Federal agencies for innovative solutions to problems and for making government work better.

MACS – Mail-Order and Catalog System

Numismatic Products – the coins and coin-related products produced by or for the Mint for sale to the public.

OIG – Office of Inspector General

OMB – Office of Management and Budget

OPM – Office of Personnel Management

PEF – Public Enterprise Fund

Proof Quality Coins – coins that are struck multiple times with specially treated dies to produce a mirrored background, sharp relief, and a frosted image on the finished coin. Coins offered as numismatic products are produced in proof quality as well as uncirculated quality.

Q50 – 50 State Quarter Program

Recurring or Annual Coin Programs – proof and uncirculated sets of all circulating coins for a year that are specially packaged for collectors. Recurring programs include the annual uncirculated set, which includes circulating coins from both the Denver and Philadelphia Mints; the silver proof set, which includes a silver dime, quarter(s), and half dollar as well as a proof quality penny, nickel, and golden dollar; and souvenir sets that include uncirculated circulating coins produced by either the Philadelphia or Denver Mint.

SBA – Susan B. Anthony Dollar Coin

Surcharge – an amount added to the selling price of a commemorative coin. The surcharge amount and the beneficiary organization(s) are specified in the commemorative coin legislation. The Mint collects the surcharges and pays them to the beneficiary organizations after the organizations meet certain requirements related to matching funds and audited financial statements.

Uncirculated Quality Coins – coins that are struck only once with regular coinage dies. Uncirculated coins have a satin finish versus the mirrored background and frosted image of the proof coins.

Schedule of Custodial Gold and Silver Reserves

Department of the Treasury
United States Mint
Schedule of Custodial Gold and Silver Reserves
As Of September 30, 2000 and 1999
(in Thousands)

Custodial Gold and Silver Reserves		2000		1999
United States gold and silver reserves (Note 2)	$	10,364,687	$	10,457,846
Custodial liability to Treasury (Note 2)	$	10,364,687	$	10,457,846
Net gold and silver reserves custodial position	$	0	$	0

The accompanying notes are an integral part of this Schedule.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint (U.S. Mint), established in 1792, is an integral part of the Department of the Treasury. The mission of the U.S. Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the U.S. Mint manufactures numismatic products, which include medals, proof coins, uncirculated coins, gold and silver bullion coins, and commemorative coins. These manufacturing operations are reported in the manufacturing segment of the U.S. Mint's consolidated gold financial statements. The U.S. Mint is also the custodian of a significant portion of the United States' gold and silver reserves, which are presented in the custodial segment of the U.S. Mint's Statements of Financial Position.

The U.S. Mint's custodial activities, including the protection of the United States' gold and silver reserves in its custody, are funded by the U.S. Mint's Public Enterprise Fund (PEF).

B. Basis of Presentation

This Schedule has been prepared to report the gold and silver reserves custodial position of the U.S. Mint. The books and records of the U.S. Mint have served as the source of the information contained herein. The schedule has been prepared in accordance with generally accepted accounting principles and U.S. Mint accounting policies.

This Schedule includes all gold and silver classified by the U.S. Mint as "custodial reserves" as defined in Note 2. This schedule does not include gold and silver withdrawn from the "custodial reserves" for use in the operations of the U.S. Mint's PEF. The U.S. Mint's PEF occasionally uses gold and silver from the custodial reserves to support its numismatic operations. The PEF later replenishes the reserves with newly mined gold. This schedule does not reflect any United States' gold and silver being used by the U.S. Mint in its operating inventory or any reserve amounts due to be replenished by the PEF, nor do they include gold at Federal Reserve Banks.

Note 2. Custodial Gold and Silver Reserves

Gold and silver are classified as reserves if in bar form. The custodial reserves also include foreign gold coins held by Treasury for many years.

The gold and silver reserves are reported in this Schedule at the lower of cost or market value. Absent historical records to determine the acquisition cost of the gold and silver over the decades, the reserves are valued at the rates stated in U.S. Code Title 31, Sections 5116 and 5117 (statutory rates) which are $42.2222 per Fine Troy Ounce (FTO) of gold and $1.292929292 per FTO of silver. An offsetting custodial liability is also reported for these assets.

At September 30, 2000 and 1999, the market value of gold was $273.65 per FTO and $299.00 per FTO respectively. Gold inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
2000	245,262,897.040	$ 10,355,539,091	$ 67,116,191,775
1999	247,078,556.034	$ 10,432,200,209	$ 73,876,488,254

At September 30, 2000 and 1999, the market value of silver was $4.8875 per FTO and $5.575 per FTO respectively. Silver inventories consisted of the following at September 30:

	FTO	Statutory Value	Market Value
2000	7,075,171.14	$ 9,147,696	$ 34,579,899
1999	19,835,748.11	$ 25,646,220	$ 110,584,296

The combined gold and silver reserves consisted of the following at September 30:

	Statutory Value	Market Value
2000	$ 10,364,686,787	$ 67,150,771,674
1999	$ 10,457,846,428	$ 73,987,072,550

Custodial gold and silver FTOs are transferred to the PEF for numismatic operations. The PEF replenishes the custodial reserves with purchases of newly mined gold. In addition, the Defense Logistics Agency transferred silver to the custodial reserves.

Auditor's Report on Custodial Gold and Silver

OIG	Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

To the Director of the United States Mint:

We have audited the United States Mint's (U.S. Mint) Schedule of Custodial Gold and Silver Reserves (Schedule) as of September 30, 2000 and 1999. This report presents our audit conclusion on this Schedule. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations in fiscal year 2000.

Management's Responsibilities

Management is responsible for:

- Preparing the Schedule in conformity with generally accepted accounting principles.
- Establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the benefits and related costs of internal control policies and procedures.

  Complying with laws and regulations applicable to the U.S. Mint's custodial responsibilities for the gold and silver reserves.

Scope of Audits

We conducted our audits in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and applicable Office of Management and Budget (OMB) guidance. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall custodial schedule presentation. Our responsibility is to express an opinion on the Schedule based on our audit. We believe that our audit provides a reasonable basis for our opinion.

United States Mint's Fiscal Year 2000 Schedule of Custodial Gold and Silver Reserves (OIG-01-060)

In planning and conducting our audit of the U.S. Mint's Schedule for the year ended September 30, 2000, we considered its internal control over financial reporting and compliance with laws and regulations. Specifically, we obtained an understanding of the design of the U.S. Mint's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide assurance on the internal control over financial reporting and compliance with laws and regulations. Consequently, we do not provide an opinion on such controls.

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of the U.S. Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of custodial schedule amounts. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Results of Audits

Opinion on the Financial Statements
In our opinion, the Schedule presents fairly, in all material respects, the United States' gold and silver reserves in the custody of the U.S. Mint as of September 30, 2000 and 1999, in conformity with generally accepted accounting principles.

Internal Control
Internal control is a process, effected by the U.S. Mint's management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- Reliability of financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of the Schedule for the fiscal year ended September 30, 2000 in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and

- Compliance with applicable laws and regulations – transactions for the fiscal year ended September 30, 2000 are executed in accordance with laws and regulations that could have a direct and material effect on the Schedule.

United States Mint's Fiscal Year 2000 Schedule of Custodial Gold and Silver Reserves (OIG-01-060)

Because of limitations inherent in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

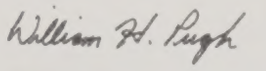
As defined in OMB Bulletin Number 01-02, Audit Requirements for Federal Financial Statements (OMB Bulletin No. 01-02), reportable conditions are matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of the internal control that could adversely affect the Mint's ability to meet the internal control objectives as defined above. Material weaknesses are reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters nor were any brought to our attention, involving the internal control and its operation that we consider to be material weaknesses as defined above.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Compliance with Laws and Regulations

The results of our tests of compliance in fiscal year 2000 with the laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards or OMB Bulletin No. 01-02.

This report is intended solely for the information and use of the management of the U.S. Mint, and the U.S. Department of the Treasury, OMB, the Congress, and Urbach Kahn & Werlin LLP, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available to the public as a matter of public record.



William H. Pugh
Deputy Assistant Inspector General for Financial Management
and Information Technology Audit
January 26, 2001

United States Mint's Fiscal Year 2000 Schedule of Custodial Gold and Silver Reserves (OIG-01-060)

A Year of Employee Honors

The National Law Enforcement Officers Memorial selected Police Lieutenant Dennis Sullivan for national recognition as one of **Twelve Living Legends in Law Enforcement.** The award honors police officers that have led heroic and exemplary careers in policing.

Arthur S. Flemming Award for Coleen Vogel, Deputy Chief Financial Officer, for outstanding leadership in the procurement community, an honor previously awarded to U.S. Senator Daniel Patrick Moynihan and American Red Cross Director Elizabeth Hanford Dole.

In 2000, John Mitchell, Deputy Director, received the **American Society for Public Administration's Leadership Award** for Outstanding Public Service, the Association of Government Accountants' Achievement of the Year Award for the Washington Chapter, and **CIO Magazine's "Top 100 Masters of the Customer Connection"** award, along with Jackie Fletcher, CIO.

American Numismatic Association's Outstanding Government Service Award to David Pickens, Associate Director for Numismatics. First Conferred in 1991, this award is presented to an individual working in or retired from public service who has helped advance the interests of the hobby.

Federal Computer Week's Federal 100 Award for Coleen Vogel, Deputy Chief Financial Officer, naming her among top executives from government, industry and academia who have had the greatest impact on the government IT systems community.

Metropolitan Washington Federal Safety and Health Council Safety Professional of the Year Award to Tom Altvater, Mint Safety and Occupational Health Manager, cited for raising employee awareness of workplace safety, and training supervisors and union stewards to reinforce program goals.

U. S. Mint • 801 9th Street N.W. • Washington, D.C. 20220